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HYDRO-ELECTRIC INQUIRY COMMISSION

ONTARIO POWER COMPANY OF NIAGARA FALLS
AND ITS SUBSIDIARY
ONTARIO TRANSMISSION COMPANY, LIMITED

REPORT ON INVESTIGATION OF ACCOUNTS
FOR PERIOD FROM AUGUST 1, 1917, TO OCTOBER 31, 1921

PRICE, WATERHOUSE & CO.
ROYAL BANK BUILDING
TORONTO

Can. Doc. Ontario Hydro-Electric
Ord. III Inquiry Commission, 1922-1924
#1

J. ALLAN ROSS
Commissioner



Reports on investigation of accounts

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TORONTO

October 9th, 1922

W. D. Gregory, Esq., Chairman,
Hydro-Electric Inquiry Commission,
Toronto, Ontario.

Dear Sir:

THE ONTARIO POWER COMPANY OF NIAGARA FALLS
AND
THE ONTARIO TRANSMISSION COMPANY, LIMITED

In accordance with your instructions, we have made a general investigation of the accounts and records of The Ontario Power Company of Niagara Falls, and The Ontario Transmission Company, Limited, for the period from August 1, 1917, the date operation of the Companies was assumed by the Hydro-Electric Power Commission of Ontario, to October 31, 1921, and now submit our report thereon:

SCOPE OF INVESTIGATION

Our investigation has embraced a general review of the books and accounts of the Companies for the period stated, but we have not made a detailed examination of the accounts as these have been audited by Mr. G. T. Clarkson, of Messrs. Clarkson, Gordon and Dilworth on behalf of the Province of Ontario.

We have prepared and attach hereto the following statements:

- Exhibit I - Comparative Consolidated Balance Sheets of the two Companies as at August 1, 1917, and as at the close of each fiscal year, for the four years ending October 31, 1921.
- " II - Consolidated Operating Accounts and Surplus Account
- " III - Statement of Expenditures on Construction of the Third Pipe Line
- " IV - Summary of Reserve for Renewals of Plant, Equipment and Transmission Lines
- " V)
VI) - Statements showing the Basis of the Annual Rates for the Reserves for Renewals
- " VII - Excerpts from Contracts and Agreements.

This report has, for convenience, been subdivided as follows:

History and Organization
Agreement re purchase of Capital Stock of
the Ontario Power Company of Niagara Falls
by the Hydro-Electric Power Commission of
Ontario
Changes in Financial Position
Balance Sheet
Operating Accounts and Surplus Account

HISTORY AND ORGANIZATION

ONTARIO POWER COMPANY OF NIAGARA FALLS:

The Ontario Power Company of Niagara Falls was originally incorporated, with an authorized capital of \$250,000, by a Special Act of the Dominion of Canada dated June 23, 1887, under the name of the Canadian Power Company. The change to the present name of the Company was authorized by a further Act dated July 10, 1899, and by powers conferred by the Act of Incorporation the authorized capital stock was increased at different times to a total par value of \$15,000,000. As the result of an agreement dated April 12, 1917 the outstanding capital

stock of the company, viz. \$10,000,000 was acquired by the Hydro-Electric Power Commission of Ontario.

The properties of the Company are situated, in the main, at Niagara Falls, Ontario, and consist principally of a hydro-electric generating plant, comprising a power house, two pipe lines (in operation) and fourteen units or turbines and other equipment providing a capacity for generating electrical energy of approximately 160,000 horse power. The Company also owns the real estate, as well as the transformer station, transmission lines and distributing stations required for its uses. The third pipe line constructed by the Company is commented upon later in this report.

It may be mentioned that the accident which occurred to two of the units at the works of the Company on April 20, 1922 is being made the subject of a separate investigation by Mr. Walter J. Francis, the Consulting Engineer to the Hydro-Electric Inquiry Commission.

THE ONTARIO TRANSMISSION COMPANY, LIMITED:

The Ontario Transmission Company, Limited, was incorporated by Letters Patent on July 14, 1905, under the laws of the Dominion of Canada with an authorized capital of \$1,000,000. The entire amount of capital stock is owned by the Ontario Power Company of Niagara Falls, and has been endorsed over and deposited with the Toronto General Trusts Corporation as collateral security to a Mortgage Deed of Trust dated February 2, 1903, in favor of that Corporation, securing the Five Percent First Mortgage Sinking Fund Gold Bonds of the Power Company.

The Company owns and operates transmission lines and distributing stations in the Niagara Peninsula. The properties are under lease to the Ontario Power Company of Niagara Falls and are used by that Company in the transmission, to its customers, of electrical energy generated at the Niagara Falls plant.

AGREEMENT RE PURCHASE OF CAPITAL STOCK OF THE
ONTARIO POWER COMPANY OF NIAGARA FALLS BY THE
HYDRO-ELECTRIC POWER COMMISSION OF ONTARIO

On April 12, 1917, the Commission entered into an agreement with John Joseph Albright of Buffalo (called the Vendor) for the purchase from him of shares of the above-named Company of the par value of \$9,000,000, and of the remaining outstanding shares of the par value of \$1,000,000 to the extent that the other holders thereof placed the Vendor in a position to make delivery of the shares. The purchase consideration under this agreement was \$8,000,000, or such portion of that sum as should represent 80% of the par value of the capital stock of the Company transferred to the Commission, payable by Four Percent Forty Year Gold Debentures of the Commission. The debentures are guaranteed by the Province of Ontario, pursuant to Sections 14 (c) and 14 (d) of the Power Commission Act.

In accordance with an Order-in-Council approved by His Honour the Lieutenant-Governor, the 26th day of May 1917, the Hydro-Electric Power Commission was authorized to purchase the capital stock of the Ontario Power Company of Niagara Falls, pursuant to Clauses (g) and (h) of Section 8 of the Power Commission Act.

The final delivery of the share certificates of the Company was made in September 1920, bringing those transferred to the Commission, to a total par value of \$10,000,000, the entire stock outstanding. The stock held by the Commission and the debentures issued in payment therefor at the close of each fiscal year, are as follows:

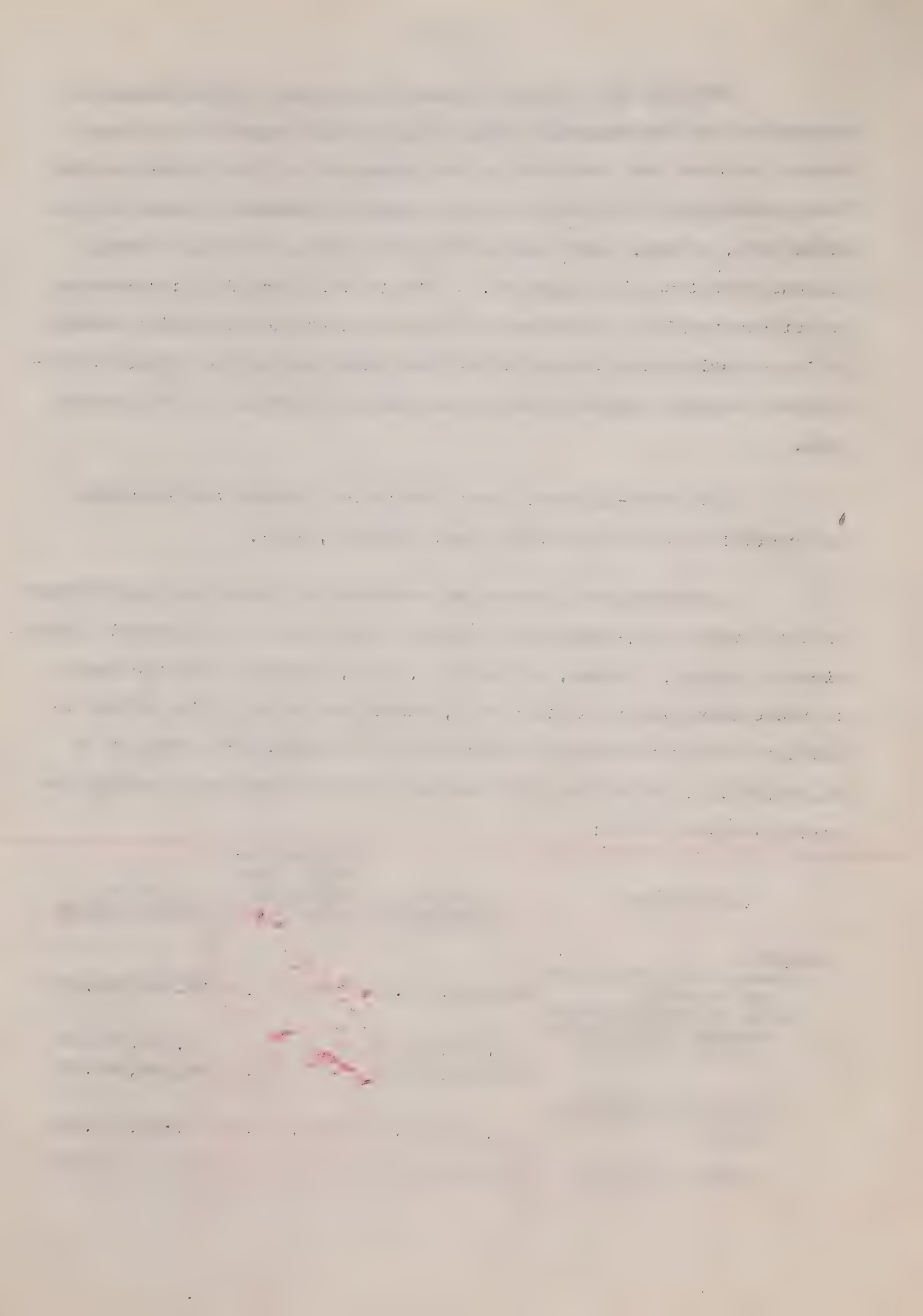
<u>Period</u>			<u>Par Value</u> <u>of Stock</u>	<u>Debentures Issued</u> <u>Therefor</u>
Year ending October	31, 1917	\$	9,990,000.	7,984,000.
" "	31, 1918		9,987,700.	7,990,100.
" "	31, 1919		9,993,700.	7,994,900.
" "	31, 1920		10,000,000.	8,000,000.
" "	31, 1921		10,000,000.	8,000,000.

Although the Albright agreement provided that all books of account of the two Companies should become the property of the purchaser, we have been informed by the Accountant of the Hydro-Electric Power Commission that not all of the original accounting books and records have, as yet, been delivered by the Vendor, although several demands have been made therefor. Due to this fact full information is not now available in respect of the accounts and accounting matters of the Ontario Power Company of Niagara Falls and of the Ontario Transmission Company, Limited prior to the date of purchase by the Commission.

The Hydro-Electric Power Commission assumed the operation and control of these Companies about August 1, 1917.

A consolidated summarized statement of assets and liabilities of the Ontario Power Company of Niagara Falls, and of the Ontario Transmission Company, Limited, at August 1, 1917, prepared from the books of these Companies as at that date, before and after giving effect to entries made by the Company closing out and applying the surplus of \$1,486,210.13, in writing off certain items and increasing renewal reserves is given below:

Particulars	Before Distribution	Surplus Account Distribution Add - Deduct	After Distribution
Assets:			
Plant, Real Estate, etc. and Goodwill	\$25,235,127.08	79,746.79	25,155,380.29
Less- Capital Stock of Ontario Transmission Company, Limited	1,000,000.00	-	1,000,000.00
	\$24,235,127.08	79,746.79	24,155,380.29
Current and Working Assets and Deferred Debits	2,960,860.89	669,307.23	2,291,553.66
Total (Forward)	\$27,195,987.97	749,054.02	26,446,933.95



Particulars	Before Distribution	Surplus Account Distribution Add- Deduct	After Distribution
Total (Forward)	\$27,195,987.97	749,054.02	26,446,933.95
Liabilities, Reserves, Etc:			
Capital Stock	\$10,000,000.00	-	10,000,000.00
Funded Debt	14,450,000.00	-	14,450,000.00
Current and Accrued Liabilities	1,116,100.60	-	1,116,100.60
Reserve for Renewals	143,677.24	737,186.11	880,833.35
Surplus	1,486,210.13	1,486,210.13	-
Total	\$27,195,987.97	749,054.02	26,446,933.95

The assets and liabilities, after distributing the balance in the surplus account, are shown in further detail on Exhibit I, attached hereto.

The surplus of \$1,486,210.13 stated in the above summary was closed out and the amount was applied by the Company as at August 1, 1917, as follows:

Amortization of Bond Discount, previously capitalized, representing the amount of discount applicable to the period prior to August 1, 1917:

Power Company	\$ 617,795.27	
Transmission Company	<u>51,511.96</u>	\$ 669,307.23

Betterments to Plant written off:

Power Company	\$ 72,436.51	
Transmission Company	<u>7,310.28</u>	79,746.79

Increase in Renewal or Depreciation

Reserve Accounts:		
Power Company	\$ 480,723.40	
Transmission Company	<u>256,432.71</u>	737,156.11

Total, as above

\$1,486,210.13

On the above basis, the net assets of the Power Company and of the Transmission Company amounted to \$10,000,000 on August 1, 1917, accounted for as follows:

Total Plant, Real Estate and Goodwill, and
Current Assets and Deferred Debits, as set
forth above in the above summary: \$26,446,933.95

Less-			
Funded Debt	\$14,450,000.00		
Other Liabilities	1,116,100.60		
Reserve for Renewals	<u>880,833.35</u>		
			16,446,933.95
Excess of Assets over Liabilities			<u>\$10,000,000.00</u>

Represented by -
Capital Stock of the Power Company outstanding
in the hands of the Commission and of the
Public \$10,000,000.00

The capital stock of \$10,000,000 of the Power Company is now
carried on the books of the Commission as an investment at the cost
thereof, namely \$8,000,000.

CHANGES IN FINANCIAL POSITION

Before commenting upon the respective accounts set forth
in the exhibits attached hereto, we present in the following, a summary
of the changes in the financial position of the Companies at October
31, 1921, as compared with that at August 1, 1917, as disclosed by the
Balance Sheets at those dates:

Funds Provided to Ontario Power Company of Niagara Falls:

1. Advanced by Hydro-Electric Power Commission of Ontario:			
For Third Pipe Line	\$3,515,094.93		
For retiring bonds due in 1921	<u>3,200,000.00</u>		
			\$6,715,094.93
2. From operations during period from August 1, 1917 to October 31, 1921;			
Surplus as shown by attached accounts	\$ 59,197.03		
Add- Increases in Sinking Funds and Reserves during the period stated:			
Sinking Fund Reserve	166,448.22		
Renewals Reserve	617,774.01		
Contingencies (portion provided from operations)	112,585.98		
Discount on bonds written off	209,758.68		
Exchange written off	<u>231,038.22</u>		
			1,396,802.14
Total Funds Provided			<u>\$8,111,897.07</u>

Application of Funds Provided:

1. Bonds and Debentures Retired:		
First Mortgage 5% Bonds due 1943	\$ 616,000.00	
Second " 6% Debenture 1921	2,844,000.00	
First Mortgage Bonds of Ontario Transmission Company	<u>142,000.00</u>	\$3,602,000.00
2. Expended on Capital Account:		
Third Pipe Line	\$3,515,094.93	
For Other Purposes (Net)	<u>70,283.00</u>	3,585,377.93
3. Sinking Fund deposited with Hydro- Electric Power Commission		
Less- Decrease in other Sinking Fund deposits	\$ 163,271.71 <u>505.21</u>	162,766.50
4. American Exchange:		
In respect of bonds of Ontario Power Company, maturing in 1921	\$ 358,157.70	
On Bond Interest payments	<u>224,709.13</u>	582,866.83
5. Discount on Bonds of the Commission sold to retire bonds of the Ont- ario Power Company, maturing in 1921		
		156,480.00
6. Increase in Working Capital (including as such the deposit of \$166,262.88 in Supreme Court of Ontario, re Claims of Toronto Power Company)		
		<u>22,405.81</u>
<u>Total, as above</u>		<u>\$8,111,897.07</u>

BALANCE SHEET

PLANT AND EQUIPMENT:

Plant, Real Estate, Transmission Lines, Distributing
Stations and Rights, Franchises, Goodwill, etc. -
\$25,132,736.47:

In the report on the accounts as at October 31, 1918, this being the initial audit report on the accounts of the Company maintained under control of the Commission, Mr. Clarkson stated in respect of plant and equipment accounts at that date, and in connection with the absence of the original books of entry, that "From such information as is available, however, they would appear to consist - approximately - as follows-

(a) Investment in plant, real estate, transmission lines, distributing stations	\$14,747,599.49
(b) Discount on bonds capitalized, less amounts written off	971,284.55
(c) Attributed to value of Rights, Franchises, Goodwill, etc.	10,304,113.07
(d) Expended upon construction of third pipe line to works of Company	1,349,170.63
<u>Total</u>	<u>\$27,372,167.74</u>

This sum comprises the following accounts on Exhibit I,
as at October 31, 1918:

Plant, Real Estate, Transmission Lines, Goodwill, etc.	\$25,051,712.56
Expenditures on construction of third pipe line	1,349,170.63
Discount on Bonds (balance)	971,284.55
<u>Total, as shown above</u>	<u>\$27,372,167.74</u>

It is further stated in the report on the accounts that "Of \$14,747,599.49 allocated to real estate and physical assets, plant and equipment of the value of \$13,200,000 is said to be subject to depreciation".

From October 31, 1918 to October 31, 1921, the net additions to plant, lines, stations, etc. amounted to \$81,023.91, representing additional equipment, betterments, etc. aggregating \$164,162.66, less an amount of \$83,138.75, received from the sale of a distribution system to the municipality of Port Colbourne and from the sale of certain real estate.

Expenditures on Construction of Third Pipe Line - \$3,515,094.93:

Shortage of power in the Province led to the construction of a new conduit called the "third pipe line" and the addition to the works of two units for the purpose of increasing the generating capacity thereof. The work was undertaken by the Hydro-Electric Power Commis-

sion of Ontario and under authority of an Order-in-Council dated February 6, 1918, loans were obtained by the Commission from the Bank of Montreal, in the sum of \$1,250,000. First Mortgage Bonds of the Ontario Power Company of Niagara Falls of \$1,400,000 were pledged to the bank as collateral security for the loans, and in addition, the Province guaranteed the payment thereof. In the month of June 1919 \$50,000 was paid on account to the bank, leaving an outstanding liability of \$1,200,000 on the books of the Commission.

The advances by the Commission to the Power Company for construction of the conduit, or wood-stave pipe line, and the equipment incident thereto, aggregated at October 31, 1921, \$3,515,094.93 which amount had been entirely expended at that date on the construction. Details of the construction expenditures as shown by the books are submitted on Exhibit III attached hereto. We understand it was anticipated at the beginning that the additional revenue from the increased capacity of the plant, and indemnities from the Dominion Government would permit the repayment of the cost of the pipe line out of earnings, and it was the intention that repayment of the advances should be made by the Company, to the Commission in monthly instalments of \$50,000, commencing one month after the first delivery of power from the pipe line. The Company agreed with the Commissioners of the Queen Victoria Niagara Falls Park to remove the pipe line by the Spring of 1923, but it is now stated that these Commissioners have ^{given} approval to the maintenance of the pipe line for the time required by the Company.

In the year ending October 31, 1921, the Company set aside out of surplus an amount of \$63,271.71, representing the first provision on account of a sinking fund in respect of the cost of construction of the line and equipment. This is the annual sum necessary to accumulate in thirty years, with interest at four percent per annum, a sinking

fund sufficient for the repayment of the cost of the pipe line.

Tools and Construction Equipment, etc. - \$92,926.82:

These assets are carried on the books as follows:

Tools and Construction Equipment:		
Construction Equipment	\$ 43,223.63	
Maintenance Tools and Equipment	<u>36,107.11</u>	
		\$79,330.74
Furniture and Fixtures		10,344.54
Instruments		2,000.00
Automobiles and Vehicles		<u>1,251.54</u>
Total		<u>\$92,926.82</u>

Excepting in respect of furniture and fixtures, inventories were taken of the physical properties as at October 31, 1921, and valued at cost prices, less provision for depreciation, stated to represent present values. The furniture and fixtures were inventoried at August 1, 1917, and the cost value of \$17,731.54, including subsequent additions, has been reduced to \$10,344.54 through provisions made for depreciation at the rate of 10% per annum.

SPECIAL DEPOSITS FOR PAYMENT OF MATURED
INTEREST COUPONS AND BONDS - \$51,370.00:

Interest Coupons - \$51,370.00:

This represents an amount on deposit with the Canadian Bank of Commerce New York, as at October 31, 1921, to cover \$10,620.00 Ontario Power Company Interest Coupons matured but not presented for payment, together with \$40,750.00 for the payment of interest coupons due November 1, 1921, on Ontario Transmission Company 5% Bonds. The total amount of \$51,370.00 has been confirmed by statement of account from the depository, on file in the Treasurer's office.

Bonds - \$10,000.00:

This represents an amount deposited in bank for payment of outstanding 6% debentures, due July 1, 1921, of the Ontario Power Company of Niagara Falls.

SINKING FUND DEPOSITS - \$163,729.34:

These deposits were held at October 31, 1921, as follows:

Toronto General Trusts Corporation-		
In respect of First Mortgage 5% Debentures		
of the Ontario Power Company	\$	452.17
Guaranty Trust Company of New York-		
In respect of First Mortgage 5% Bonds of		
the Ontario Transmission Company, Limited		5.46
		<hr/>
	\$	457.63
Hydro-Electric Power Commission-		
In respect of the \$8,000,000 Four		
percent Forty Year Debentures		
issued to cover purchase of		
Capital Stock of Ontario Power		
Company	\$100,000.00	
In respect of the \$3,515,094.93		
advances by the Commission for		
purposes of construction of		
Third Pipe Line	<hr/>	<hr/>
	63,271.71	163,271.71
		<hr/>
<u>Total</u>		\$ 163,729.34

According to a statement dated September 18, 1922 signed by the Treasurer of the Hydro-Electric Power Commission of Ontario, the above amount of \$163,729.34 is now invested in securities of the Province of Ontario. The question of the investment of Sinking Funds will be dealt with further, in our general report to be submitted at a later date.

CASH IN BANK - \$46,068.48:

The cash in bank as at October 31, 1921 (The Imperial Bank, Niagara Falls South) has been confirmed by a certificate from the depository on file in the office of the Commission.

ACCOUNTS RECEIVABLE - \$282,751.02:

Of the total accounts receivable outstanding at October 31, 1921 of \$282,751.02, accounts aggregating \$167,307.56, which were three months or more overdue at that date, were considered by the Accountant of the Company to be good and collectible. The following is a list of the overdue accounts:

Accounts	October 31, 1921	
	Balance	Three Months or More Overdue
Department of Railways and Canals, Port Colborne	\$ 30,049.90	19,489.48
Niagara Lockport and Ontario Power Company	209,058.26	147,699.48
Queen Victoria Niagara Falls Park	41.60	41.60
George Fry	25.00	25.00
A. Hallman	15.00	15.00
S. D. Smith	2.00	2.00
R. Sacco	35.00	35.00
Total	\$ 239,226.76	167,307.56

Inquiry into the present status of these accounts was made on September 18, 1922, and as the result thereof the following information is presented:

Department of Railways and Canals-

The overdue account of \$19,489.48, still unpaid, is in respect of a dispute as to the rates charged for power during the period from August 1919 to October 31, 1921. A contract has not as yet been executed by the Department.

Niagara Lockport and Ontario Power Company-

Of the balance as at October 31, 1921, of \$209,058.26, there remained unpaid at the date of inquiry, \$70,852.87, representing premium charged the Lockport Company by the Ontario Power Company on funds remitted in payment of power bills from January 21, 1918 to October 31, 1919, in Canadian funds, contrary to agreement, which provided for payment in American funds. Of this latter sum, \$29,413.05 has been credited to and forms a part of the balance of the Reserve for Contingencies, pending settlement of the dispute and \$41,439.82 has been credited to operations.

Of the small amounts in the above summary, the account of \$41.60 of the Queen Victoria Niagara Falls Park, was paid subsequent to October 31, 1921.

J. J. ALBRIGHT CLAIMS - \$286,200.26:

With respect to the Albright agreement the following comment was made by Mr. G. T. Clarkson in the "Audit and Report re Ontario Power Company of Niagara Falls and Ontario Transmission Company, Limited, to October 31, 1918":

"The Hydro-Electric Power Commission of Ontario assumed control of the Companies and their undertakings on or about 1st August 1917, on which date the Vendor took possession of all current assets in the form of accounts receivable, cash on hand and in banks, and assumed or paid off all current liabilities, bonds and debentures outstanding excepting such as are above mentioned. * Since that date certain issues have arisen between the Commission and the Vendor relative, principally, to expenditures on capital account made by the Power Company between 12th April 1917 and 1st August 1917 and the amounts which the Vendor is required to deposit with the Companies in respect of accrued sinking funds on bonds to 1st August, 1917. The amounts claimed by the Commission from the Vendor in respect of such items are not less than \$97,541.49 to secure itself against loss in connection with which the Commission has retained \$300,000 par value of bonds being part of the purchase price for the shares of the Power Company purchased from the Vendor."

(*) As mentioned in agreement.

The amount of \$97,541.49 mentioned above, forms a part of the balance of \$286,200.26, due by Mr. Albright as at October 31, 1921 the latter item being made up as follows:

Expenses contracted for prior to		
April 12, 1917	\$ 28,841.79	
Less- Net Increase in plant from		
April 12, 1917 to August 1, 1917	<u>16,577.64</u>	\$ 12,264.15
Interest, taxes, rentals, etc.		
accrued at July 31, 1917		104,574.41
Accrued Sinking Fund Payments-		
On 5% bonds of the Power Company		
for six months ending		
June 30, 1917	\$75,065.00	
For July 1917	<u>12,510.83</u>	
	\$ 87,575.83	
On 6% debentures of the		
Power Company for six		
months ending		
June 30, 1917	\$18,766.25	
For July 1917	<u>3,127.71</u>	21,893.96
On 5% bonds of the Transmission		
Company	<u>2,500.00</u>	111,969.79
Forward		<u>\$ 228,808.35</u>

Forward		\$ 228,808.35
Less-		
Ontario Power Company invoices against Hydro Commission assigned to Mr. Albright	\$ 119,328.32	
Unearned insurance premiums	10,987.63	
Miscellaneous	<u>950.91</u>	
		<u>131,266.86</u>
Claimed by Commission as at August 1, 1917		\$ 97,541.49
Claims applicable to the period prior to August 1, 1917, in respect of additional water rents made by Queen Victoria Niagara Falls Park Commission, together with interest thereon at 5% per annum to October 31, 1921		<u>188,658.77</u>
Balance October 31, 1921		<u>\$ 286,200.26</u>

secured by \$300,000 of bonds of the Commission withheld as part of purchase consideration. Furthermore the Reserve for Contingencies includes a provision for the full amount of \$188,658.77 shown above as being due from Mr. Albright.

In respect of the claim for Sinking Fund payments aggregating \$111,969.79, which is included in the above balance, the Commission was advised by counsel under date of May 30, 1922, that a judgment of the Court as of September 14, 1920, was made determining the amount due to be \$111,498.49. In view of this decision the position may be shown as follows:

Liability of J. J. Albright for sinking fund payments to June 30, 1917, as defined by judgment	\$ 93,359.95	
Liability for sinking fund payments for the month of July 1917, admitted by J. J. Albright in respect of-		
5% Bonds of the Ontario Transmission Company, Limited due 1945	\$ 2,500.00	
5% Bonds of the Ontario Power Company, due 1943	12,510.83	
6% Debentures of the Ontario Power Company, due 1921	<u>3,127.71</u>	
		<u>18,138.54</u>
Total		<u>\$ 111,498.49</u>

In addition, the Commission was allowed interest from August 1, 1917, to September 14, 1920 amounting to \$14,579.49 and further interest at 5% per annum from September 14, 1920, on the full amount of the judgment.

Under date of June 19, 1922, further advice was received from counsel that the Supreme Court of Canada has delivered judgment confirming the judgment of the Trial Judge as stated above. It should be noted that in respect of this item, also the sum of \$87,575.83 has been provided in the Reserve for Contingencies.

MATERIALS AND SUPPLIES - \$59,124.77:

This account consists of the following:

Stores	\$57,251.54
Production Work Orders charge- able to Stores upon completion	<u>1,873.23</u>
Total	<u>\$59,124.77</u>

A physical inventory of stores was taken as of October 31, 1921, the total value of which, based on current market prices, amounted to \$57,719.50. The book values, however, were not adjusted to take up the excess amount of \$467.96. The Superintendent of the Power Company has certified to the correctness of the inventory, as follows:

"That the values assigned are a fair and reasonable valuation having due regard to the present market and the present condition of the goods"

As shown by the inventory the stores consist, in the main, of the following:

Spare armature coils for generators and spare gates, etc. for turbines	\$ 18,933.84
Forged steel gates	11,047.61
Spare coils for generators, total cost \$32,950.00 - first payment	20,360.42
Miscellaneous stores	<u>7,377.63</u>
Total per inventory	<u>\$ 57,719.50</u>

DEPOSIT WITH SUPREME COURT OF ONTARIO

RE CLAIMS OF THE TORONTO POWER COMPANY - \$166,262.88:

This item represents cash deposited with the Supreme Court of Ontario in connection with litigation arising out of a claim by the Toronto Power Company.

DISCOUNT ON BONDS - \$979,940.00:

Prior to the date taken over by the Hydro-Electric Power Commission, discount on bonds in the sum of \$1,702,525.91 was included in the accounts as part of the cost of properties of the Companies. In distributing the credit balance in surplus account at August 1, 1917, this amount was reduced to \$1,033,218.68. The changes in this account from August 1, 1917 to October 31, 1921, are shown in the following:

August 1, 1917, Balance	\$1,033,218.68	
Less- Amount charged to profit and loss from August 1, 1917 to October 31, 1921	<u>206,993.49</u>	\$ 826,225.19
Add-		
Amount of discount on bonds issued by the Hydro-Electric Power Commission for the purpose of retiring debentures of the Power Company, due July 1, 1921	\$ 156,480.00	
Less- written off to profit and loss	<u>2,765.19</u>	153,714.81
October 31, 1921, total per balance sheet		<u>\$ 979,940.00</u>

This discount is in respect of bond issues, as follows:

Ontario Power Company of Niagara Falls	\$ 723,881.80
Ontario Transmission Company, Limited	102,343.39
Hydro-Electric Power Commission (\$3,200,000 issue 1921)	<u>153,714.81</u>
Total, as shown above	<u>\$ 979,940.00</u>

AMERICAN EXCHANGE ON REMITTANCES TO RETIRE BONDS

DUE 1921 - \$351,828.61:

Relative to the retirement of the \$2,753,000 outstanding Six Percent Debentures of the Ontario Power Company of Niagara Falls payable July 1, 1921, in United States funds, the exchange on remittances amounted to \$358,157.70 of which \$6,329.09 was charged against operations

for the period from June 24, 1921 to October 31, 1921, leaving a balance at the latter date of \$351,828.61. We are informed that it is the intention of the Company to amortize the exchange over a period of twenty years. This charge will therefore form part of the cost of electrical energy supplied to the municipalities and others served by the Niagara System of the Hydro-Electric Power Commission.

INSURANCE PREPAID - \$3,358.62:

The unexpired portion of insurance premiums as at October 31, 1921, amounted to \$3,358.62 and is properly chargeable to future operations of the Company.

MORTGAGE BONDS, DEBENTURES, ETC. - \$10,858,000.00:

The Agreement of April 12, 1917, by which the Hydro-Electric Power Commission of Ontario purchased the Capital Stock of the Ontario Power Company of Niagara Falls provides that the liabilities of that Company and of the Ontario Transmission Company, Limited, at that date, shall include the following bonds and debentures:

Ontario Power Company of Niagara Falls-

First Mortgage 5% Sinking Fund Gold Bonds, due February 1st 1943, and interest thereon and sinking fund payments connected therewith and all covenants, agreements, obligations and liabilities of the Power Company, in or under the mortgage dated February 2, 1903, between the Power Company and the Toronto General Trusts Corporation and the supplemental agreement dated October 1, 1908 between the Power Company and Francis Ralston Welsh and others securing said bonds. (Bonds outstanding August 1, 1917, \$9,834,000)

Six Per Cent Gold Coupon Debentures of the Power Company due July 1, 1921, and interest thereon and sinking fund payments connected therewith and all covenants, agreements, obligations and liabilities of the Company in or under the indenture dated June 30, 1906, made between the Power Company and the Toronto General Trusts Corporation and the Second Mortgage dated November 2, 1914, between the Power Company and National Trust Company, Limited, securing said debentures (Bonds outstanding August 1, 1917 \$2,844,000)

Ontario Transmission Company, Limited-

First Mortgage 5% Gold Bonds, due May 1, 1945, and interest thereon and sinking fund payments connected therewith and all covenants, agreements, obligations and liabilities of the Company in or under the mortgage dated August 16, 1905, made between the Company

and the Toronto General Trusts Corporation and two certain agreements, one dated April 20, 1910, made between the Ontario Power Company of Niagara Falls, the Ontario Transmission Company, Limited, the Toronto General Trusts Corporation and the holders of the five per cent first mortgage gold bonds of the Transmission Company and the other dated June 11, 1910, made between the Ontario Transmission Company, Limited, the Standard Trust Company of New York, the Ontario Power Company of Niagara Falls and the holders of the five per cent first mortgage gold bonds of the Transmission Company. (Bonds outstanding August 1, 1917, \$1,772,000)

The First Mortgage 5% Sinking Fund Gold Bonds of the Ontario Power Company of Niagara Falls, due February 1, 1943, are secured by mortgage dated February 2, 1903, referred to above, hypothecating all the present and future real and personal properties, rights, franchises and powers of the Company. Bonds aggregating \$10,579,000 of the authorized issue of \$12,000,000 were sold by the Company. The terms of the mortgage provide that annually, on July 1, payments of \$1.00 for each electrical horse power sold by the Company and paid for by the purchasers during the preceding year shall be made by the Company to the Trustees for the purpose of a sinking fund to be used in the redemption of the bonds. As at August 1, 1917, bonds of the face value of \$745,000 had been so retired, and during the period from August 1, 1917 to October 31, 1921, additional bonds aggregating \$616,000 were redeemed through the sinking fund leaving bonds of \$9,218,000 outstanding at the latter date.

In addition to the bonds outstanding at October 31, 1921, \$1,400,000 of bonds were pledged to the Bank of Montreal as collateral security for an advance now amounting to \$1,200,000, made by the bank to the Hydro-Electric Power Commission of Ontario to provide funds for the construction of the third pipe line to the works of the Power Company. Of this amount, bonds in the amount of \$900,000 have been signed and delivered to the bank and the balance of \$500,000, remains in the hands of the Company to be completed.

The authorized issue of \$3,000,000 Six Per Cent Gold Coupon Debentures of the Ontario Power Company due July 1, 1921 was created by authority of a resolution of the shareholders of the Company dated June 30, 1906. The terms of an indenture made on that date between the Company and the Toronto General Trusts Corporation, as Trustee, although providing no security for this issue of debentures, stipulated that in the event of a second mortgage being made to secure any further issue, the issue was to enjoy such security equally with the subsequent issue. Of the 6% debentures issued, \$10,000 thereof remained outstanding October 31, 1921, and funds are on deposit in bank for the payment thereof.

On November 2, 1914, a further issue of bonds of \$1,660,000 was made, secured by a second mortgage on all real property of the Company, on the shares and other securities of any controlled company and as a floating charge on all its property and assets present and future. These bonds were paid off and the mortgage remains as security for the payment of the Six Per Cent Debentures, of which, as before noted, there are only \$10,000 outstanding and funds are on deposit with the Trustee for the redemption of these.

Under date of June 24, 1921, the Hydro-Electric Power Commission of Ontario created an issue of bonds of \$3,300,000 for the purpose of retiring the Six Per Cent Debentures of the Ontario Power Company of Niagara Falls. Of the authorized amount, bonds of a face value of \$3,200,000 were issued, the following being the accounting in respect of the sale:

Face value of bonds of the Commission of		\$3,200,000.00
Less- Discount on the bonds sold at a		
price of 95.11	\$ 156,480.00	
Expenses incident to issue	<u>3,737.74</u>	<u>160,217.74</u>
Proceeds from sale of bonds		\$3,039,782.26
Amount provided out of general funds		
of the Ontario Power Company		<u>71,375.44</u>
Total		<u>\$3,111,157.70</u>

Debentures of the Ontario Power Company, retired-	
Face value of bonds outstanding July 1, 1921	\$2,753,000.00
American Exchange on remittance for retirement of bonds	358,157.70
Total, as above	<u>\$3,111,157.70</u>

The Sinking Fund requirements of this issue, are:

One percent of the par value of the bonds is to be paid annually on June 1, throughout the twenty year period, to the Hydro-Electric Power Commission of Ontario, to be invested in securities of the Province of Ontario which are to be deposited with the Canada Trust Company.

The First Mortgage 5% Gold Bonds of Ontario Transmission Company, Limited, due May 1, 1945, were issued on August 16, 1905, and the whole of the authorized amount of \$2,000,000 was sold. The issue was secured by an indenture dated August 16, 1905, upon all the present and future real and personal properties, rights and privileges of the Company. No provision regarding sinking fund requirements was made in this indenture, but by an agreement dated June 11, 1910, it was provided that an annual payment of \$30,000 should be made on July 1, commencing in 1911, to the Standard Trust Company of New York, as Trustees. The Ontario Power Company of Niagara Falls and the Ontario Transmission Company, Limited, are jointly and severally liable for the payment. Bonds of the face value of \$228,000 had been redeemed up to August 1, 1917, the principal amount outstanding at that date being \$1,772,000 and during the period from August 1, 1917, to October 31, 1921, bonds aggregating \$142,000 were retired, leaving an amount outstanding at October 31, 1921, of \$1,630,000.

MATURED INTEREST COUPONS - \$51,370.00:

This liability is in respect of \$10,620.00 Ontario Power Company Interest Coupons, matured but not presented and of \$40,750.00 interest payable November 1, 1921, on Ontario Transmission Company 5% Bonds.

ACCOUNTS PAYABLE - \$132,719.40:

This amount is made up of the following:

Accounts Payable-		
Toronto Power Company	\$ 34,132.70	
Mortimer and Bamfield,		
Insurance	<u>2,861.57</u>	
		\$ 36,994.27
Accrued Taxes (paid in November 1921)		87,399.14
Dominion Sales Tax		20.57
Accrued Government Rentals (Queen Victoria Park) October 1921 account		7,638.75
Prepaid Rentals Receipts (from American Cyanamid Company - rent of land paid in advance to June 30, 1922)		<u>666.67</u>
As above		<u>\$ 132,719.40</u>

HYDRO-ELECTRIC POWER COMMISSION -

CURRENT ACCOUNT - \$147,856.16:

The current account payable by the Ontario Power Company to the Hydro-Electric Power Commission at October 31, 1921, is in respect of the following:

Accrued Interest from August 1, 1921 to October 31, 1921 on the \$8,000,000 debentures issued by the Commission (rate 4% per annum)	\$ 80,000.00
Accrued interest from June 24, 1921, to October 31, 1921, on the \$3,200,000 bonds issued by the Commission (rate 6% per annum)	<u>67,856.16</u>
<u>Total</u>	<u>\$ 147,856.16</u>

INTEREST ACCRUED ON BONDS - \$115,475.00:

The accrued interest, as at October 31, 1921, on \$9,218,000.00 Ontario Power Company Five Per Cent First Mortgage Bonds maturing February 1, 1943, amounted to \$115,225.00 and the remainder of \$250.00, making up the total accrued interest of \$115,475.00 represents sundry adjustments of interest in prior periods.

RESERVE FOR RENEWALS OF PLANT, EQUIPMENT AND
TRANSMISSION LINES - \$1,498,607.36:

The balance in the Reserve for Renewals Account in respect of the combined properties of the Ontario Power Company of Niagara Falls and its subsidiary, the Ontario Transmission Company, Limited, amounted at October 31, 1921 to \$1,498,607.36, and divided between the two companies as follows:

The Ontario Power Company of Niagara Falls	\$1,125,363.89
The Ontario Transmission Company, Limited	<u>373,243.77</u>
Together	<u>\$1,498,607.36</u>

At August 1, 1917, there was a credit balance of \$880,833.35 in the account of Reserve for Renewal of Plant, etc. of which approximately \$730,000 represented a transfer from surplus account at that date. Reserves subsequently made for renewals and charges thereagainst follow:

Balance August 1, 1917	\$ 880,833.35
Reserves- Years ending October 31,	
1920	\$ 385,498.44
1921	<u>385,814.69</u>
	771,313.13
	<u>\$1,652,146.48</u>
Less- Charges- Year ending	
October 31,	
1920	\$ 35,230.66
1921	<u>118,308.46</u>
	153,539.12
Balance October 31, 1921	<u>\$1,498,607.36</u>

Further details in respect of the amounts, either credited or charged to the reserve accounts, are set forth on exhibit IV attached hereto.

No appraisal of the properties, we are informed, has been made since the companies were acquired, and in order to determine rates to be used in the computation of the annual renewal provisions, the Engineering Department of the Commission made a reclassification of the total properties (exclusive of the Third Pipe Line as shown by the books at July 31, 1919. In the case of the Third Pipe Line, the

engineers' analysis is based on book figures as at October 31, 1919. This reclassification is the result of data secured from available records, more or less incomplete, of the Ontario Power Company of Niagara Falls, and the Ontario Transmission Company, Limited, pertaining to transactions prior to August 1, 1917, and the records of the Commission in connection with additions and extensions since that date. The cost values, which could be substantiated from the above sources of information, were built up in respect of the various classes of property and are set forth in the attached exhibits V and VI. The difference between the values so determined and the book values at July 31, 1919, were treated by the engineers as "intangibles". On this plan the following rates were established and are at present being applied on a straight line basis:

<u>Particulars</u>	<u>Rate per</u> <u>Annun</u>
1. On the properties including lands, of the Ontario Power Company of Niagara Falls	1.35%
2. On the Third Pipe Line, and Hydraulic equipment and other, used in connection therewith, to the works of the Ontario Power Company	2.85%
3. On the properties, including right-of-way, of the Ontario Transmission Company, Limited	3.00%

In determining the amount of the Reserve for Renewals for each of the two years in which such a reserve has been made, the Accounting Department has applied the above rates to the approximate balance of the property account at the close of each year respectively less certain deductions shown below. The following is the method used:

4.0004

$$\begin{array}{r} 460.964.86 \\ 195.000.00 \\ \hline 26596486 \\ 04 \\ \hline 10.638.59.44 \end{array}$$

18000.000

204.

$$\begin{array}{r} 184.586.76 \\ 460.964.86 \\ 174.581.30 \\ \hline 285.383.56 \\ 112.481.98 \end{array}$$
$$\begin{array}{r} 195.264.36- \\ 112.481.98 \\ 174.581.30 \\ \hline 472.327.64 \\ 11.309.59 \\ \hline 461.016.05 \\ 460.964.86 \\ \hline 051.19- \end{array}$$

3514.676.62
1.8

63.264.18-

63.271.71-

63.271.71-

63.271.71

— 48. —

— 49. —

— 50. —

Particulars	Re- Newal Rate	Year ending October 31.			
		1 9 2 0		1 9 2 1	
		Balance at end of year	Addition to Reserve	Balance at end of year	Addition to Reserve
Ontario Power Company:					
General Properties		\$22,042,585		22,034,065	
Deduct-Intangibles		10,000,000		10,000,000	
	1.85	\$12,042,585	222,788	12,034,065	222,630
Third Pipe Line	2.85	3,494,494	99,593	3,516,212	100,212
Together		\$ -	322,381	-	322,842
Ontario Transmission Company, Limited:					
Plant Account		3,103,918		3,099,082	
Deduct-Intangibles		1,000,000		1,000,000	
	3.00	\$ 2,103,918	63,117	2,099,082	62,972
Total Addition to Reserve		\$ -	385,498	-	385,814

In the foregoing statement it will be observed that established rates have been applied against the Plant Account after excluding therefrom intangible values of \$10,000,000.00 in the case of the Ontario Power Company and \$1,000,000.00 for the Ontario Transmission Company, Limited, whereas these intangible values are stated in the attached Exhibits at July 31, 1919, as \$11,734,793.00 and \$1,194,831.00, respectively. As previously explained, these latter amounts arose through the reclassification of properties for the purpose of arriving at an annual renewal rate, while the former amounts merely represent an approximate value allocated to intangibles in the calculation of the actual renewal provision.

Consideration of the adequacy of the Renewals Reserve in respect of the combined properties at October 31, 1921, would necessarily involve the following particulars:

1. Determination of the physical condition and value of the properties acquired at August 1, 1917, which would of course, furnish information regarding -
 - (a) The adequacy of the Reserve for Renewals at August 1, 1917
 - (b) The determination of the extent to which intangible values, such as rights, franchises and goodwill, were included in the purchase price.

2. The amount of provision which should have been made in respect of renewals for the period from August 1, 1917, to October 31, 1919
3. The adequacy of the recent provisions based on the present method of calculation outlined in Exhibits V and VI for the fiscal years ending October 31, 1920 and 1921, respectively, and
4. The extent, if any, to which the factor of obsolescence may have been, or requires to be, given consideration.

SINKING FUND RESERVES - \$184,586.76:

The Sinking Fund Reserve at October 31, 1921, was provided out of revenue for the following:

On the \$8,000,000 debenture issue of the Hydro-Electric Power Commission - (Initial provision)	\$100,000.00
On the cash advances for construction of the Third Pipe Line (Initial provision)	63,271.71
On the \$3,200,000 bond issue of the Commission to retire the bonds of the Power Company due July 1, 1921 - Portion for period from July 1, 1921 to October 31, 1921	<u>11,309.59</u>
	\$174,581.30
On First Mortgage 5% Bonds of the Ontario Transmission Company, Limited (Four months' accrual - July 1, 1921 to October 31, 1921)	<u>10,005.46</u>
Total	<u>\$184,586.76</u>

Following is a statement of the bases of the sinking fund provisions given effect to on the books of the Power Company and the Transmission Company:

<u>Particulars</u>	<u>Principal</u>
In respect of the Companies' obligations:	
First Mortgage 5% Sinking Fund Bonds 1943- Annual payment of \$1.00 for each electrical horse-power sold and paid for in the previous calendar year	\$9,218,000.00
First Mortgage 5% Bonds 1945 - Annual payment of \$30,000	1,630,000.00
6% Gold Coupon Debentures 1921 - Bonds matured July 1, 1921	10,000.00
Cash Advances re Third Pipe Line - An annual payment sufficient at 4% interest to retire the obligation in thirty years	3,515,094.93
Forward	<u>\$14,373,094.93</u>

Forwarded	\$14,373,094.93
In respect of obligations of the Commission:	
Forty Year 4% Debentures 1957 -	8,000,000.00
An annual payment sufficient with interest at 4% per annum to retire the bonds at maturity, the period covering thirty seven years	
Twenty Year 6% Bonds 1941 -	3,200,000.00
A payment of 1% of the principal per annum equivalent to approximately a forty-one year basis	
Total	<u>\$25,573,094.93</u>

Deposits for sinking fund purposes have been made with the Trustees of the first mortgage bond issues, since the date the companies were acquired by the Commission, as follows:

<u>Year</u>	<u>Power Company</u>	<u>Transmission Company</u>
1918	\$ 151,506	30,000
1919	147,441	30,000
1920	145,253	30,000
1921	155,057	30,000

The aggregate sums, respectively, which would be provided to the maturity of these issues, for their retirement, on the above basis, of an annual provision of approximately \$150,000 by the Power Company and of \$30,000 by the Transmission Company, are given below together with the bonds outstanding October 31, 1921:

<u>Particulars</u>	<u>Power Company</u>	<u>Transmission Company</u>
First Mortgage Bonds outstanding October 31, 1921	\$9,218,000	\$1,630,000
The aggregate approximate sum on above basis which would be provided to maturity of bonds	3,150,000	690,000
Deficiency in provision for retirement of bonds through sinking funds, on above basis	<u>\$6,068,000</u>	<u>940,000</u>
Number of sinking fund instalments to maturity of bonds	<u>21</u>	<u>23</u>

The foregoing figures would, of course, be modified should the Trustees find it impracticable to adhere to the previous practice

of purchasing bonds for retirement within the terms specified in the respective agreements. In that event the interest accretions from investment in other securities would be available in the hands of the Trustees for purposes of the sinking fund.

The sinking fund payment of \$126,262.00 made July 1, 1922, for the calendar year 1921, is less than the deposits of any one of the preceding four years, as well as the approximate figure of \$150,000 upon which the above calculation is based.

It should be mentioned in connection with the authorized forty year bond issue of \$2,000,000 of the Transmission Company, that the sinking fund provision of \$30,000 per annum, exclusive of any interest accretions, would aggregate only \$1,200,000 over the life of the bonds.

In consideration of the foregoing it is obvious that to the extent the sinking funds shall be inadequate for the retirement of the bonds at maturity thereof, a means of financing the deficiency will require to be provided before the bonds become due.

The sinking fund in respect of the \$8,000,000 issue of the Commission is provided on the basis of thirty seven years, the remaining life of the debentures, while that in respect of the \$3,200,000 issue of the Commission, is on approximately, a forty one year basis, whereas the bonds mature twenty years from date of issue. With reference to this latter issue the financing of the deficiency will require consideration before the maturity of the bonds.

RESERVE FOR CONTINGENCIES - \$418,233.63:

The amount of \$418,233.63, set aside as a reserve for contingencies at October 31, 1921, is made up as follows:

In respect of the claim against J.J. Albright for sinking fund payments on the 5% Bonds of the Company	\$87,575.83	
In respect of claim against the Niagara, Lockport and Ontario Power Company	\$26,638.04	
and interest thereon	<u>2,775.01</u>	<u>29,413.05</u>
		\$116,988.88
Reserve to cover claims of the Commissioners of the Queen Victoria Niagara Falls Park Commission in respect of additional water rentals-		
Charged to account of J.J. Albright for rentals from 1906 to Aug- ust 1917	\$188,658.77	
Charged to surplus account being the rentals from Aug- ust 1, 1917 to October 31, 1920	51,404.05	
Charged to operating expenses o f year ending October 31, 1921 for additional rentals applicable thereto	<u>34,937.18</u>	
		275,000.00
Charges against operations in respect of claims for power supplied by the Toronto Power Company from March 1, 1918 to Febru- ary 28, 1919, final settlement through court proceedings amounting to		<u>26,244.75</u>
<u>Total</u>		<u>\$418,233.63</u>

The judgement of the Court affecting the liability of J. J. Albright for sinking fund which has already been referred to in connection with the Albright Claim Account, brings into question the necessity for maintaining the reserve in that connection. However, until all book accounts in respect of the Albright matter are collected, it would not appear advisable to close this account.

The Niagara Lockport and Ontario Power Company, remitted funds in payment of power bills in the period from January 21, 1918 to October 31, 1919, in Canadian funds contrary to the agreement, which provided for payment in American funds. The account of the Niagara Lockport Company was charged and, per contra, this account credited with the premium of \$26,638.04, which should have been received, pending the result of litigation relative thereto.

According to the agreement, dated April 11, 1900, with the Commissioners of the Queen Victoria Niagara Falls Park, the Ontario Power Company contracted to pay an annual rental based on the electrical horse power generated, and payments were made based on the average load determined from kilowatt hours. The Commissioners of the Park, however, contend that the horse power generated should be based on the momentary progressive peak basis. While disputing this contention, the company has calculated that a maximum amount of \$275,000 would be due on a one minute peak basis from 1906 to October 31, 1921 and has credited the reserve account with that amount and, per contra, charged the accounts as set forth in the above summary.

The rate for power supplied by the Toronto Power Company, Limited to the Ontario Power Company of Niagara Falls from March 1918, to February 1919, under the Dominion Power Controller's orders, became the subject of a dispute between the two companies and litigation which followed resulted in two judgments being found relative thereto. The judgments found by the court aggregated \$568,471.40 and in the action resulting in the settlement of one of the judgements in the amount of \$510,000, each party bore its own costs. In the other case, the judgment found being for \$58,471.40, a decision has not been handed down by the Trial Judge on the question of costs and the liability for costs or interest is not of record on the books of the Company. However, it is now stated that under subsequent agreements each party is to pay its own costs. The reserve at October 31, 1921 of \$26,244.75, together with cheques drawn but not delivered of \$32,226.65 represent the amount of the second judgment.

In connection with this litigation the Ontario Power Company made deposits with the Supreme Court of Ontario aggregating \$166,262.88, this sum being included in the assets of the company at October 31, 1921.

CONSOLIDATED OPERATING ACCOUNTS AND SURPLUS ACCOUNT

The results of operations of the Ontario Power Company of Niagara Falls and of the Ontario Transmission Company, Limited, for the fifteen months ending October 31, 1918, and for each year, for the three years ending October 31, 1921, are set forth on the Consolidated Operating Accounts and Surplus Account, Exhibit II, which is, in turn, supported by Exhibits II-A, II-B and II-C providing further details in respect of certain items appearing on the former statement. A brief summary of the Operating Account sub-division of Exhibit II follows (cents omitted):

Particulars	15 Months ending Oct. 31, 1918	Year ending October 31,		
		1919	1920	1921
Revenue from sales of power	\$2,752,080	2,198,421	2,500,621	3,007,804
Operating expenses (including power purchased)	1,149,634	759,539	684,887	1,162,811
Profit from Operations	\$1,602,446	1,438,882	1,815,734	1,844,993
Less-Administrative Expenses	61,945	63,251	54,028	44,932
Balance	\$1,540,501	1,375,631	1,761,706	1,800,061
Miscellaneous Revenue, etc.	786	16,355	246	24,601
Profit before deducting Fixed Charges	\$1,541,287	1,389,235	1,761,110	1,824,662
Fixed Charges on basis explained later in this memorandum	1,339,067	1,097,756	1,663,101	1,891,478
Profit or Loss before special charges and without providing for renewals in periods ending October 31, 1918, and October 31, 1919	\$ 202,220	291,479	98,009	63,216
Deduct- Special charges	61,934	49,595	140,330	188,937
Profit or Loss for period on above basis	\$ 140,286	211,884	47,679	185,713

In the section of this report dealing with the agreement relative to the purchase of the capital stock of the Ontario Power Company by the Hydro-Electric Power Commission, it is pointed out that, of the total outstanding capital stock of \$10,000,000, the Commission held, as at October 31, 1917, shares of a par value of \$9,980,000, or 99.8% of

the total shares. In view of the small amount of stock outstanding in the hands of the public, prior to 1920 when all the remaining shares were acquired, we have prepared the operating accounts, to the extent that entries have been made on the books, on a comparative basis for the periods set forth above. In this connection we quote from Mr. Clarkson's report as at October 31, 1921:

"The provision of the Power Commission Act authorizing the purchase by the Commission of shares of Generating and Transmission companies by the issue of bonds of the Commission are not explicit in their terms or effect in so far as they relate to the provision of sinking funds for repayment at the purchase price paid or as to the price to be charged for power furnished to any System (and the municipalities interested therein) by a company, the shares of which shall be so purchased by the Commission. Prior to the fiscal year ending October 31st, 1920, a certain proportion of the shares of the capital stock of the Ontario Power Company were owned by the Public and accordingly the Ontario Power Company had to be operated as an entity separate and distinct from the Niagara System. In that year, however, the Commission acquired all the remaining and outstanding shares in the hands of the Public and became the owner of the whole of the capital stock of the Company. With \$10,848,000 of bonds and debentures of the Ontario Power Company and the Ontario Transmission Company outstanding and in the hands of the Public, the Ontario Power Company and the Ontario Transmission Company must still be operated as entities separate and distinct from the Niagara System. On the other hand with the whole of the capital stock of such Companies now in the hands of the Commission, the risk of their operations falls upon the Commission, while the ultimate benefits accruing from them will enure to it. In these circumstances and having regard to the fact that the Commission purchased the shares of the Ontario Power Company for the purpose of securing control - for the benefit of the Niagara System - of the power supply and all the rights of that Company, also the fact that the Ontario Power Company is owned by the Commission on behalf of the Municipalities of the Niagara System, the Commission has become of the opinion that it is proper to deal with the shares of the Ontario Power Company on the same basis as though they were "works" of the Niagara System and subject to the provisions of Section 23 of the Act" (Page 12, 1921 Report)

Considering the stocks of the Ontario Power Company and the Ontario Transmission Company as representing works forming a part of the Niagara System (the proportion of the stock of the Power Company held in the earlier years by the public, being negligible) the operating accounts have been prepared in the same general form adopted by us in

submitting those accounts for the Niagara System and all other systems.

It will be observed upon referring to the operating accounts, attached hereto, that sinking fund provisions have been included in the accounts of the Power Company for the fiscal year ending October 31, 1921, in respect of the \$8,000,000 debentures and the \$3,200,000 bonds issued by and appearing on the books of the Hydro-Electric Power Commission, as previously commented upon. While the three periods from August 1, 1917 to October 31, 1920, have not been charged with any provision for sinking fund on the \$8,000,000 issue of the Commission, (the Agreement not requiring any Sinking Fund to be set aside), a provision was made in 1921 on the basis of retiring the issue over the remaining thirty seven years to the maturity thereof.

Dividends paid by the Ontario Power Company, together with interest for the fifteen months ending October 31, 1921, on the \$8,000,000 debenture issue of the Commission aggregated \$1,420,574.77 during the period from August 1, 1917 to October 31, 1921, are as shown below:

Dividends paid in periods ending -		
October 31, 1918	\$	400,000.00
" 31, 1919		254,780.56
" 31, 1920		<u>365,794.21</u>
		\$1,020,574.77
Interest for fifteen months ending		
October 31, 1921 on \$8,000,000		<u>400,000.00</u>
<u>Total</u>		<u>\$1,420,574.77</u>

which sum was applied by the Commission, as follows:

Periods	Interest on Outstanding Debentures	Exchange on Interest Paid	Dividends Outside Stockholders	Together
Year Ending -				
August 1, 1918	\$ 319,604.00	5,708.68	492.00	325,804.68
" 1919	319,988.00	9,067.23	246.00	329,301.23
" 1920	319,810.00	45,571.03	413.18	365,794.21
" 1921	320,000.00	430.48	-	320,430.48
Three months ending October 31, 1921 (Accrued)	80,000.00	-	-	80,000.00
Total	\$1,359,402.00	60,777.42	1,151.18	1,421,330.60
Less- Unclaimed dividends	-	-	755.83	755.83
Total	\$1,359,402.00	60,777.42	395.35	1,420,574.77

In view of the foregoing we have included in the fixed charges of the Ontario Power Company and subsidiary, both the dividends on the capital stock of the Ontario Power Company and the interest of \$400,000 charged in 1921, as the dividends paid to the Commission, were, in fact for the purpose of meeting interest on the debenture issue outstanding in the hands of the public. Furthermore, if it is intended to provide this interest out of revenue from power sales, it becomes a fixed charge and therefore, inclusive as an expense before determining the amount of profit or loss for any period. On this basis, in order to show the results of each period with the approximate amount of interest applicable thereto, an adjustment such as the following should be made, (cents omitted):

Particulars	15 Months Ending Oct. 31, 1918	Year ending October 31,		
		1919	1920	1921
Profit or Loss for period as per Exhibit II	\$140,286	211,884	42,321	255,753
Adjustment of Interest, to show in period applic- able (approximate amount)	5,000	74,500	-	79,500
Profit or Loss adjusted on above basis	\$135,286	137,384	42,321	176,253

It should be pointed out in connection with the results set forth above that in the periods ending October 31, 1918 and October 31, 1919, no reserves were provided in respect of renewal of plant, etc., mainly, we understand, because of the suit with the Toronto Power Company. A reserve of \$51,494.05 for additional water rentals for the period from August 1, 1917 to October 31, 1920, in respect of a claim which arose in and was charged to surplus account in 1921 has not been distributed over the periods to which it was applicable.

The revenue received from the sales of power, separated as between undertakings of the Commission and outside interests is as follows (cents omitted):

Particulars	15 Months Ending Oct. 31, 1918	Year ending October 31,		
		1919	1920	1921
Niagara System	\$1,022,611	893,814	1,112,818	1,621,420
Sundry Hydro Under- takings	93,315	64,091	69,749	90,934
Outside Interests	1,636,154	1,240,516	1,318,055	1,295,450
Total per Exhibit II	\$2,752,080	2,198,421	2,500,622	3,007,804

This information together with that submitted below in respect of power purchased was furnished by the Accountant of the Commission, and while we have not verified the details, we have satisfied ourselves as to the accuracy of the total amount for each period, of revenue and of power purchased.

Following is the summary of the cost of power purchased, referred to in the preceding paragraph (cents omitted):

Particulars	15 Months Ending Oct. 31, 1918	Year ending October 31,		
		1919	1920	1921
Toronto Power Company:				
Output of one machine	\$267,760	132,802	125,073	216,450
Cost of power furnish- ed under Power Con- troller's orders	395,661	140,583	-	-
Additional Power	-	-	-	42,455
	\$663,421	273,385	125,073	258,905
Canadian Niagara Power Company-				
8942 H.P. at \$18.00	-	-	-	160,960
8217 H.P. at 16.20	-	-	-	133,109
Exchange	-	-	-	16,317
Total	\$663,421	273,385	125,073	569,291

In respect of the cost of power furnished under the Dominion Power Controller's Orders, aggregating \$536,244, as stated in the two periods above, an explanation has been made thereof in connection with the Contingent Reserve Account.

The water power rentals included in the operating expenses set forth on Exhibit II are based on an agreement between the Ontario Power Company of Niagara Falls and the Commission of the Queen Victoria Niagara Falls Park. Excerpts made from that agreement have been included in this report under the caption of "Contracts and Agreements".

Details relative to Operating Expenses and to Maintenance Expenses for the fiscal year ending October 31, 1921, were readily available from the records and are submitted on Exhibits II-B and II-C respectively. Prior to October 31, 1921, a similar classification may not be obtained without an extensive analysis of the accounts, therefore, until the receipt of further instructions, that analysis will not be undertaken.

Under date of May 4, 1922 the City of Niagara Falls enacted a by-law "to fix the assessment and maximum rate of taxation of the properties of the Ontario Power Company and the Ontario Transmission Company for a period of ten years". The Mayor and Clerk of that City were

authorized to enter into, execute and deliver an agreement to fix the assessment of the properties of the companies at Niagara Falls at \$2,500,000 for all purposes and to fix the maximum rate of taxation thereon at thirty mills on the dollar, in any year of and for the period of ten years from January 1, 1922. The taxes paid are, in the main, in respect of the properties consisting of buildings, power house, machinery, transformer stations, surge tanks, conduits, lines, etc.

The administrative expenses are made up, in general, of the following:

Particulars	15 Months Ending Oct. 31, 1918	Year ending October 31,		
		1919	1920	1921
Portion of administrative expenses of the Commission	\$25,243.04	21,059.47	20,269.85	25,046.84
Executive and Office Payroll	19,009.89	11,626.64	14,866.57	16,079.96
Ontario Power Company, Purchase Expense	13,666.16	-	-	-
Expenses recovering outstanding stock	-	-	2,219.15	-
Legal Expense	72.25	28,027.84	14,551.87	2,595.93
Audit Fees	-	2,500.00	2,500.00	-
Donation (Red Cross)	3,000.00	-	-	-
Sundry Expenses	954.10	37.30	376.79	1,209.39
	\$61,945.44	63,251.25	54,784.23	44,932.12
Less- Unclaimed Dividends	-	-	755.83	-
Total	\$61,945.44	63,251.25	54,028.40	44,932.12

The administrative and general expenses of the Commission are apportioned on the cost of labor basis used by the Commission in the distribution of these expenses over the various undertakings under its control.

Included in the Miscellaneous and Interest Revenue (Net) in Exhibit II are the following:

Particulars	15 Months Ending Oct. 31, 1918	Year Ending October 31,		
		1919	1920	1921
Rental Receipts	\$ 4,530.21	5,786.00	5,560.00	8,543.89
Store Sales	2,074.89	708.11	245.32	19.38
Profit on Labor Sold	730.19	479.49	542.32	25.25
Interest Received	-	1,347.76	-	14,536.82
Income from Visitors	-	256.50	1,718.00	1,476.00
Profit on Work Orders	-	130.77	-	-
	\$ 7,335.29	8,708.63	8,065.64	24,601.34
Less- Miscellaneous Interest, etc,	6,548.75	25,104.26	8,661.95	-
Total	\$ 786.54	18,345.63	996.31	24,601.34

As stated on Exhibit II-A \$72,709.48 representing the balance of the Sinking Fund Reserve Account in respect of debentures of the Power Company retired in 1921, was closed into Surplus Account as at October 31, 1921. Of this sum \$23,182.40 and \$39,106.25 respectively, are applicable to the years ending October 31, 1921 and October 31, 1920 in cancellation of the provisions of like amounts in those periods and the remainder of \$10,420.83 reduces the provision of \$35,707.84 for the year ending October 31, 1919.

The American Cyanamid Company claims that its contract with the Ontario Power Company of Niagara Falls for the supply of power was broken by the default of that Company in interrupting the supply from time to time during 1918 and 1919, and contends that the Power Company is liable for damages suffered by it on that account. The Ontario Power Company of Niagara Falls repudiates any liability on the ground that the stoppages of supply occurred by reason of orders from the Dominion Power Controller. The surplus at October 31, 1921, is subject to such liability, if any, as may be determined as a result of this contention.

We have not as yet reviewed the Minutes of the Meetings of the Shareholders and Directors of the Ontario Power Company of Niagara Falls and the Ontario Transmission Company, Limited, but this feature of our investigation will be dealt with in the general report upon questions common to all systems and companies to be submitted at a later date.

Yours very truly,

PricewaterhouseCoopers

HYDRO - ELECTRIC POWER COMMISSION OF ONTARIO
THE ONTARIO POWER COMPANY OF NIAGARA FALLS and SUBSIDIARY
THE ONTARIO TRANSMISSION COMPANY, LIMITED
COMPARATIVE CONSOLIDATED BALANCE SHEETS

A S S E T S	August 1 1917	October 31 1918	October 31 1919	October 31 1920	October 31 1921
PLANT and EQUIPMENT:					
Plant, Real Estate, Transmission Lines, Distributing Stations and Rights, Franchises and Goodwill	\$24,962,250.77	\$25,051,712.56	\$25,113,388.63	\$25,111,229.82	\$25,132,736.47
Expenditure on construction of Third Pipe Line	-	1,349,170.63	3,510,441.02	3,494,494.33	3,515,094.93
Tools and Construction Equipment	158,593.93	143,153.66	95,150.25	93,898.49	79,330.74
Furniture and Fixtures	21,558.88	14,886.09	13,415.61	11,989.74	10,344.84
Instruments	8,801.20	5,424.06	3,983.09	2,486.17	2,000.00
Automobiles and Vehicles	4,175.51	5,149.50	2,528.78	1,850.65	1,251.54
	\$25,155,380.29	\$26,569,496.50	\$28,738,907.38	\$28,715,949.20	\$28,740,758.22
LESS - Capital Stock of Ontario Transmission Company, Limited	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00	1,000,000.00
	\$24,155,380.29	\$25,569,496.50	\$27,738,907.38	\$27,715,949.20	\$27,740,758.22
SPECIAL DEPOSITS FOR PAYMENT OF MATURED INTEREST COUPONS and BONDS:					
Interest Coupons	\$ 292,675.00	\$ 79,330.00	\$ 69,515.00	\$ 62,945.00	\$ 51,370.00
Bonds	-	-	-	-	10,000.00
	\$ 292,675.00	\$ 79,330.00	\$ 69,515.00	\$ 62,945.00	\$ 61,370.00
SINKING FUND DEPOSITS WITH TRUSTEES and WITH THE COMMISSION:					
With Trustee	\$ 962.84	\$ 1,195.73	\$ 14,315.49	\$ 25,432.63	\$ 457.63
With Hydro-Electric Power Commission of Ontario	-	-	-	-	163,271.71
	\$ 962.84	\$ 1,195.73	\$ 14,315.49	\$ 25,432.63	\$ 163,729.34
CURRENT and WORKING ASSETS:					
Cash in Bank	\$ -	\$ 144,090.74	\$ 165,527.57	\$ 3,279.42	\$ 46,068.48
Accounts Receivable	-	323,134.20	320,540.28	320,144.48	282,751.02
Hydro-Electric Power Commission - Current Account	-	-	51,240.83	-	39,748.07
J. J. Albright - Claims	822,281.06	97,541.49	97,541.49	97,541.49	283,200.26
Materials and Supplies	89,909.63	102,191.81	547.35	41,666.67	59,124.77
Deposit with Supreme Court of Ontario re Claims of the Toronto Power Company	-	139,603.17	158,117.07	158,117.07	166,262.88
Income Tax on Interest Coupons (estimated) per contra	2,140.80	-	-	-	-
	\$ 914,331.49	\$ 806,561.41	\$ 793,514.59	\$ 620,749.13	\$ 890,155.43
DEFERRED DEBITS:					
Discount on Bonds, less amounts written off	\$ 1,033,218.68	\$ 971,284.55	\$ 921,689.82	\$ 872,085.14	\$ 979,940.00
American Exchange on remittances to retire 1921 Bonds, less amount written off	-	-	-	-	351,828.61
Insurance and Taxes prepaid, etc.	12,421.59	6,555.22	11,531.89	9,412.39	3,358.62
Work Orders	37,944.06	-	-	-	-
	\$ 1,083,584.33	\$ 979,839.77	\$ 933,221.71	\$ 881,507.53	\$ 1,335,127.23
	\$26,446,933.95	\$27,436,423.41	\$29,549,474.17	\$29,306,883.49	\$30,181,140.27

LIABILITIES

	August 1 1917	October 31 1918	October 31 1919	October 31 1920	October 31 1921
CAPITAL STOCK:					
Ontario Power Company of Niagara Falls	\$10,000,000.00	\$10,000,000.00	\$10,000,000.00	\$10,000,000.00	\$10,000,000.00
MORTGAGE BONDS, DEBENTURES, etc.:					
Power Company					
1st Mortgage Bonds 5%-1943 (authorized \$12,000,000.)	\$ 9,834,000.00	\$ 9,676,000.00	\$ 9,527,000.00	\$ 9,375,000.00 (a)	\$ 9,218,000.00
2nd Mortgage Debentures 6% - 1921	2,844,000.00	2,806,000.00	2,770,000.00	2,753,000.00	10,000.00
Mortgage on residential property, with Interest accrued	-	4,590.00	-	-	-
Transmission Company -					
1st Mortgage Bonds 5%-1945 (authorized \$2,000,000.)	1,772,000.00	1,739,000.00	1,721,000.00	1,678,000.00	1,630,000.00
	\$14,450,000.00	\$14,225,590.00	\$14,018,000.00	\$13,806,000.00	\$10,858,000.00
HYDRO-ELECTRIC POWER COMMISSION OF ONTARIO:					
Expenditure on Third Pipe Line	-	\$ 1,349,170.63	\$ 3,360,441.02	\$ 3,344,494.33	\$ 3,515,094.93
Re Retirement of 1921 Bonds	-	-	-	-	3,200,000.00
	-	\$ 1,349,170.63	\$ 3,360,441.02	\$ 3,344,494.33	\$ 6,715,094.93
MATURED INTEREST COUPONS, etc.:	\$ 292,675.00	\$ 76,230.00	\$ 69,440.00	\$ 62,795.00	\$ 51,370.00
CURRENT AND ACCRUED LIABILITIES:					
Notes Payable	\$ 700,000.00	-	-	-	-
Accounts Payable	66,753.76	568,586.74	30,265.03	9,960.33	132,719.40
Income Tax on Interest Coupons (estimated) per contra	2,140.80	-	-	-	-
Hydro-Electric Power Commission - Current Account and Accrued Interest	-	59,892.04	-	173,178.55	147,856.16
Interest accrued on Bonds	36,392.50	177,828.79	174,537.50	171,322.50	115,475.00
Unclaimed Dividends	-	492.00	412.65	-	-
	\$ 805,287.06	\$ 606,799.57	\$ 205,215.18	\$ 384,461.40	\$ 396,050.56
RESERVES:					
For Sinking Funds in respect of -					
Hydro-Electric Power Commission Debentures and Advances (including accrual)	-	-	-	-	\$ 174,581.30
Debentures of Power Company and Bonds of Transmission Company (including accrual to October 31)	\$ 18,138.54	\$ 40,740.32	\$ 52,687.09	\$ 67,613.74	10,005.46
For Contingencies, etc.	-	249,679.00	817,384.76	336,797.81	418,233.63
For Renewal of Plant, Equipment and Transmission Lines	880,833.35	880,833.35	880,833.35	1,231,101.13	1,498,607.36
	\$ 898,971.89	\$ 1,171,252.67	\$ 1,750,905.20	\$ 1,635,512.68	\$ 2,101,427.75
SURPLUS	-	\$ 7,380.54	\$ 145,472.77	\$ 103,320.08	\$ 59,197.03
	\$26,446,933.95	\$27,436,423.41	\$29,549,474.17	\$29,306,583.49	\$30,181,140.27

NOTES:

- (a) Additional Bonds of this issue of \$1,400,000. of the total Bonds of this issue remaining unsold as at October 31, 1921, of \$1,421,000. have been hypothecated to the Bank of Montreal as security for advances of \$1,200,000. made to the Hydro-Electric Power Commission of Ontario.
- (b) The Company has a contingent liability in respect of claim of American Cynamid Company for damages disputed by the Ontario Power Company.
- (c) The notes payable, amounting to \$700,000. were offset against the claim of \$822,281.06 against J. J. Albright.

HYDRO - ELECTRIC POWER COMMISSION OF ONTARIO

THE ONTARIO POWER COMPANY OF NIAGARA FALLS

AND

THE ONTARIO TRANSMISSION COMPANY, LIMITED

CONSOLIDATED OPERATING ACCOUNTS AND SURPLUS ACCOUNT

Particulars	August 1, 1917 to October 31 1918	Year ending October 31		
		1919	1920	1921
REVENUE:				
Power Sales	\$2,752,080.32	\$2,198,421.23	\$2,500,621.53	\$3,007,803.93
EXPENSES:				
Power Purchased	\$ 663,421.35	273,385.00	125,072.55	569,291.67
Water Power Rentals	127,631.34	98,295.25	105,986.40	126,307.27
Operating Expenses	139,405.54	169,799.36	189,611.60	183,606.48*
Maintenance Expenses	88,827.84	118,540.91	158,128.90	164,705.56*
Taxes	105,205.61	80,662.60	95,644.22	109,148.07
Insurance Premiums	25,142.70	18,855.82	10,443.61	9,752.54
Total Expenses	\$1,149,634.38	\$ 759,538.94	\$ 684,887.28	\$1,162,810.59
Profit from Operations	\$1,602,445.94	\$1,438,882.29	\$1,815,734.25	\$1,844,993.34
ADMINISTRATIVE EXPENSES (including portion of Administrative Expenses of the Hydro-Electric Power Commission):				
Balance	61,945.44	63,251.25	54,028.40	44,932.12
AND- Miscellaneous and Interest Revenue (net)	786.54	16,395.63	596.31	24,601.34
Profit before deducting Fixed Charges, etc.	\$1,541,287.04	\$1,359,235.41	\$1,761,109.54	\$1,824,662.56
DEDUCT- FIXED CHARGES, ETC.-				
Sinking Fund Provisions in respect of Bonds, Debentures, etc., of the Hydro-Electric Power Commission of Ontario-				
Forty Year 4% Gold Debentures 1957 (par \$8,000,000)	-	-	-	\$ 100,000.00
Twenty Year 6% Gold Bonds 1941 (par \$3,200,000)	-	-	-	11,509.59
Cash Advances re Third Pipe Line	-	-	-	63,271.71
Provision for renewal of plant and equipment	-	-	385,498.44	385,814.69
Depreciation on Furniture, Instruments, Horses and Wagons and Construction Plant	6,293.25	4,755.24	4,036.09	11,192.13
Bond Interest-				
On issues of the Companies	932,773.79	735,084.72	724,254.52	657,420.06
On 6% 1941 Issue of the Commission	-	-	-	65,782.16
Interest on Cash Advances re Third Pipe Line	-	103,135.57	183,517.40	196,717.77
Dividends payable to the Commission, applied on account of Interest on the \$8,000,000 Debentures issued by the Commission and American Exchange on Interest, etc.	400,000.00	254,780.56	365,794.21	-
Payable to the Commission on account of Interest for fifteen months ending October 31, 1921, on \$8,000,000 Debentures of the Commission	-	-	-	400,000.00
Total Fixed Charges on above basis	\$1,339,067.04	\$1,097,756.09	\$1,663,100.66	\$1,891,478.11
Profit or Loss before Special Charges and before providing for Renewals in periods ending October 31, 1918 and October 31, 1919	\$ 202,220.00	\$ 261,479.32	\$ 98,008.88	\$ 66,815.55
(Carried Forward)				

NOTE:

Detailed statements, for the year ending October 31, 1921, of operating expenses and of maintenance expenses have been attached hereto.

Particulars	August 1, 1917 to October 31 1918	Year ending October 31		
		1919	1920	1921
Profit or Loss brought forward	\$202,220.00	\$261,479.32	\$ 98,008.88	\$ 86,815.55
DEDUCT- SPECIAL CHARGES:				
Proportion of discount on Bonds-				
On issue of the Companies	\$ 61,934.13	\$ 49,594.73	\$ 49,594.68	\$ 45,869.95
On 1941 issue of the Commission	-	-	-	2,765.19
American Exchange-				
Portion on the Remittance to retire 1921 Bonds	-	-	-	6,329.09
On Sinking Fund Payment of the Transmission Company	-	-	-	4,040.62
On Bond Interest payments-	-	-	-	39,587.80
On \$8,000,000 Issue of the Commission	-	-	90,735.65	90,345.06
On Issue of the Companies	-	-	-	-
<u>Total Special Charges</u>	\$ 61,934.13	\$ 49,594.73	\$140,330.33	\$188,937.71
PROFIT OR LOSS for the period (before making any reserve for renewals in periods ending October 31, 1918, and October 31, 1919)	\$140,285.87	\$211,884.59	\$ 42,321.45	\$255,753.26
SURPLUS at beginning of period	-	7,380.54	145,472.77	103,320.08
<u>Together</u>	\$140,285.87	\$219,265.13	\$103,151.32	\$152,438.18
SPECIAL SURPLUS CHARGES- CREDITS-				
Portion of Bond Sinking Fund Reserves restored to surplus due to the retirement of bonds of the Companies, less, annual bond sinking fund provisions, made from surplus (as per attached statement)	\$ 6,492.01	\$ 6,641.50	\$ 168.76	\$ 69,470.08
Additional water rentals August 1, 1917 to October 31, 1920	-	-	-	\$ 51,404.05
Reserve to cover amount in dispute for power delivered by the Toronto Power Company (adjustment made as at October 31, 1921)	\$126,413.32	\$ 67,150.86	-	\$193,564.18
<u>Total Special Charges and Credits</u>	\$132,905.33	\$ 73,792.36	\$ 168.76	\$211,630.21
SURPLUS at close of period (as per Balance Sheet)	\$ 7,380.54	\$145,472.77	\$103,320.08	\$ 59,197.03

THE ONTARIO POWER COMPANY OF NIAGARA FALLS

AND

THE ONTARIO TRANSMISSION COMPANY LIMITED

PORTION OF BOND SINKING FUND RESERVES RESTORED TO SURPLUS DUE TO THE RETIREMENT OF
BONDS OF THE COMPANY LESS ANNUAL BOND SINKING FUND PROVISIONS MADE FROM SURPLUS

(Subsidiary to Consolidated Operating Accounts and Surplus Account)

Particulars	August 1, 1917 to October 31 1918	Year ending October 31		
		1919	1920	1921
Sinking Fund Provisions previously made from Surplus now Restored thereto, due to Retirement of Bonds:				
Ontario Power Company of Niagara Falls-				
First Mortgage 5% Gold Bonds 1943 (par)	\$ 38,000.00	\$ 36,000.00	\$ 17,000.00	\$157,000.00
Second Mortgage 6% Debentures 1921 (par)	-	-	-	72,709.48
Balance of Sinking Fund Reserve Account for retirement of Second Mortgage Debentures retired in 1921				
Ontario Transmission Company Limited-				
First Mortgage 5% Gold Bonds 1945 (par)	33,000.00	18,000.00	43,000.00	48,000.00
Discount on Bonds:				
Discount, etc. on First Mortgage Bonds retired (Power Company)	7,127.99	5,066.34	9,275.01	-
<u>Total Credits</u>	\$ 78,127.99	\$ 59,066.34	\$ 69,275.01	\$277,709.48
Deduct- Sinking Fund Provisions:				
Ontario Power Company of Niagara Falls-				
First Mortgage 5% Gold Bonds 1943	\$ 46,893.26	\$ 35,707.34	\$ 39,106.25	\$155,057.00
Second Mortgage 6% Debentures 1921				25,182.40
Ontario Transmission Company Limited-				
First Mortgage 5% Bonds 1945	37,726.74	30,000.00	30,000.00	30,000.00
<u>Total Charges</u>	\$ 84,620.00	\$ 65,707.34	\$ 69,106.25	\$208,239.40
<u>Balance (charge-credit) carried to Surplus Account</u>	\$ 7,497.91	\$ 4,441.50	\$ 168.76	\$ 69,470.08

THE ONTARIO POWER COMPANY OF NIAGARA FALLS
AND
THE ONTARIO TRANSMISSION COMPANY LIMITED
ANALYSIS OF OPERATING EXPENSES FOR THE YEAR
ENDING OCTOBER 31, 1921

(Subsidiary to Operating Account)

Particulars

Power Development:

Station-

General Superintendence	\$ 1,162.89	
Labor	55,665.41	
Supplies	3,818.55	
Lubricants and Waste	7,521.66	
Miscellaneous	1,515.21	\$ 69,683.72
Electric- Miscellaneous		181.99
Machine Shop-		
Labor	\$ 1,078.52	
Supplies	1,107.36	
Heating	286.90	2,472.78
		\$ 72,338.49

Hydraulic-

Labor	\$ 4,322.78	
Supplies	162.04	
Heating	726.73	
Ice Expense	2,498.92	7,710.47

Electric-

Superintendence	\$ 1,165.18	
Labor	23,556.72	
Supplies	1,276.69	
Miscellaneous	31.69	26,030.28

Total Power Development Expenses

\$106,079.24

Transformer Stations:

Station-

Labor	\$ 2,759.15	
Supplies	71.12	

Total Transformer Station Expenses

2,830.27

Service Buildings:

Machine Shop-

Labor	\$ 511.62	
Miscellaneous	327.27	
Production	247.38	\$ 1,086.27

Stores Department- Miscellaneous

<u>Total Service Buildings Expense</u>	4,527.40	5,613.67
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Transmission Lines:

Patrol		3,518.44
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Carried Forward

\$118,041.62

Brought Forward		\$118,041.62
<u>General Operating Expenses:</u>		
Field Office-		
Salaries	\$ 43,146.91	
Travelling Expenses	1,441.24	
Stamps and Stationery	798.06	
Telephone and Telegraph	679.56	
Insurance	285.85	
Miscellaneous	4,290.62	\$50,642.24
Operating-		
Salaries	\$ 8,613.49	
Department Travelling Expense	91.13	
Miscellaneous	1,773.89	10,478.51
Electric Engineering Department		149.11
Rate Department		242.00
Proportion Administrative Office Expenses		30.00
Total Direct Administrative Operating Expenses		61,541.86
Stations and Meters		110.15
Merritton Distributing Station		410.36
Humberstone Operation		711.26
Automobile Expenses		303.86
Truck Expenses		81.57
Shortage in Stores at Niagara Falls		1,574.29
Miscellaneous		830.51
<u>Total Operating Expenses for the Year</u>		\$183,605.48

THE ONTARIO POWER COMPANY OF NIAGARA FALLS
AND
THE ONTARIO TRANSMISSION COMPANY LIMITED
ANALYSIS OF MAINTENANCE EXPENSES FOR THE YEAR
ENDING OCTOBER 31, 1921
(Subsidiary to Operating Accounts)

POWER DEVELOPMENT:

General Lands		\$ 987.40
Buildings and Structures-		
General	\$ 2,666.16	
Roofs and Parapets	116.89	
Painting and Glazing	715.02	3,498.07
Water Conveying and Controlling		
Structures-		
Flumes Wood	\$ 255.04	
Flumes Steel	50.17	
Flumes Concrete	20.25	
Penstocks	1,266.26	
Forebay	172.62	
Gate House, Screen House	1,703.39	
Surge Tanks	21.33	3,489.06
Hydraulic Machinery and Apparatus-		
General	\$ 2,523.84	
Stop Logs	1,571.69	
Large Valves, Penstock	2,810.11	
Large Valves, Relief	1,645.74	
Governors Main	2,708.52	
Governors Auxiliary	250.79	
Governors Pump	1,898.50	
Governors Exciters	1.57	
Auxiliary Turbines	1,668.30	
Main Turbines	11,276.26	26,355.32
Electric Equipment-		
Generators	\$34,467.91	
General	732.71	
Reactors	.74	
Exciters	4,860.09	
Oil Breakers	190.34	
Cables, Potheads and Connections	4,701.59	
Disconnecting Switches	447.23	
Buses, Power Wiring, etc.	3.90	
Ground Resistors, etc.	121.72	
Switch Boards and Wiring	41.97	
Meters	120.96	
Relays	48.55	
Potential Transformers	28.96	
Auxiliary Generators	209.18	45,975.35
Miscellaneous Equipment-		
General	\$ 42.78	
Cranes	407.97	
Hoists and Elevators	591.99	
Furniture and Office Equipment	15.56	1,058.30

Carried Forward

\$81,364.00

Particulars

Brought Forward		\$81,364.00	
Permanent Auxiliary Systems-			
Heating- Power House and General	\$ 159.83		
Heating- Gate House	742.34		
Ventilation- Power House and General	5,670.28		
Sanitation and Drainage- Power House and General	1,047.55		
Cooling Water Pumps	395.72		
Compressed Air- Power House and General	330.56		
Oil Supply- Governors	65.24		
Lighting System	2,593.82		
Fire Protection	345.47		
Telephone and Signal System	279.50		
Power Distribution System	920.47		
Cooling Water Ponds, Towers			
Sprinklers and Piping	2.37	12,553.15	
General- Station		41.24	\$93,958.39
<u>MAIN TRANSFORMER STATION:</u>			
Lands, Buildings and Structures-			
Lands	\$ 5,542.27		
Buildings and Structures-			
General	1,297.64		
Roofs and Parapets	333.71		
Painting and Glazing	475.39		
Water Conveyors, etc.-			
Diverters	5.57	\$ 7,654.58	
Electrical Equipment-			
General	\$ 832.63		
Transformers, Main	1,670.79		
Cable Potheads and Connections	292.07		
Oil Breakers	1,863.48		
Disconnecting Switches	603.58		
Buses, Power Wiring, etc.	41.46		
Choke Coils	403.19		
Reactors	50.61		
Ground Resistors	38.08		
Regulators	510.43		
Switch Boards and Wiring	903.01		
Meters	6,241.47		
Relays	877.30		
Potential Transformers	1,417.59		
Current Transformers	26.27		
Storage Batteries	146.65		
Storage Batteries, Auxiliary	294.04		
Lightning Arresters	1,118.78	17,248.51	
Miscellaneous Equipment-			
Cranes	\$ 135.64		
Hoist and Elevators	264.79		
Furniture and Office Equipment	536.11		
Machine Shop	.18	936.72	
Carried Forward		\$25,839.81	\$93,958.39

Particulars

Brought Forward		\$25,839.81	\$93,958.39
Permanent Auxiliary Systems-			
Heating- Power House and General	\$ 808.07		
Ventilation- Power House and General	419.73		
Sanitation and Drainage- Power House and General	652.07		
Compressed Air- Power House and General	28.06		
Oil Supply- Transformers	322.05		
Lighting System	859.18		
Fire Protection	146.22		
Telephone and Signal Systems	1,001.78		
Lightning Arresters	3.78	4,240.94	
General- Station		19.04	30,099.79
<u>TRANSFORMER STATION (Port Colborne 30,000 V. Station):</u>			
Electrical Equipment-			
General	\$ 265.37		
Meters	16.45	\$ 281.82	
Permanent Auxiliary Systems- General		185.81	
Buildings and Structures- General		60.71	528.34
<u>SERVICE BUILDINGS:</u>			
Machine Shop-			
Buildings and Structures	\$ 1,244.24		
Equipment	2,987.81		
Roof	290.68		
Maintenance and Equipment	679.91		
Maintenance and Buildings	397.79		
Machine Tools	46.62	\$ 5,553.81	
Storehouse		1,525.63	7,079.44
<u>CUSTOMERS:</u>			
Humberstone Electrical Equipment-			
Meters		\$ 8.25	
Cables- Power		1.42	9.67
<u>ONTARIO POWER COMPANY (Charges and Work Orders applying to the System as a whole):</u>			
Power Development Buildings and Structures-			
Dwellings and Boarding Houses	\$ 261.59		
General System	213.02	\$ 474.61	
Transformer Station- General System		2,395.30	
Transmission Lines- General System		6,720.62	9,590.53
			1,642.49
<u>STATIONS AND METERS:</u>			
Carried Forward			\$142,908.65

Particulars

Brought Forward

\$142,908.65

TRANSMISSION LINES:

Lands-

Roadways, Walks, etc.	\$	77.90	
Tree Trimming, Power Lines		840.77	\$ 918.67

Structures and Apparatus-

General	\$	221.29	
Tree Trimming		65.45	
Pole Type Switching		312.39	599.13

Pole or Tower Lines-

General	\$	124.62	
Stays and Poles		8.00	
Towers or Poles- Power		4,374.80	
Poles, Telephone		7.17	
Arms and Fittings- Power		1,064.89	
Arms and Fittings- Telephone		203.05	
Insulators-Power- Pin Type		1,787.97	
Insulators, Telephone		42.39	7,612.89

Conductors and Cables, Overhead-

General	\$	18.31	
Conductors, Power		1,907.08	
Conductors, Telephone		598.66	2,524.05

Conductors, Underground-

Lead Covered Cables- Power	\$	957.86	
Steel Armoured Cables- Power		256.32	1,214.18

12,868.92

AMOUNT written off Construction Plant
on Revaluation

8,927.99

Total\$164,705.56

ONTARIO POWER COMPANY OF NIAGARA FALLSSTATEMENT OF EXPENDITURES ON
CONSTRUCTION OF THIRD PIPE LINE

TO OCTOBER 31, 1921.

General and Head Office:

Business and Legal	183.20
Insurance and Taxes	31,631.67
Stationery and Office Equipment	118.88
Postage, Telephone and Telegraph	698.97
Rent	220.00
Special Police Officers and Checkers	43,720.56
Administration Charges	131,345.66
Advertising and Entertaining	31.15
Personal Expenses	5,055.26
Interest during Construction	71,481.47
Expense securing labor	2,009.83
Land Damages and Flooding Rights	2.50

286,499.15

Engineering:

Head Office	565.25
Head Office Engineering	9,179.67
Head Office Superintendence	9,690.78
Field Engineering	27,845.85
Field Superintendence	16,116.95
Designing Head Office and Field	19,338.31
Engineering, Accounting and Timekeeping	21,271.96
Surveys for and during Construction	703.59
Blue Prints and Photographs	2,023.18
Instruments and Instrument Repairs	332.43
Field Office Furniture and Equipment	426.44
Stationery Supplies for Field Office	820.31
Field Office Maintenance, Fuel, etc.	821.36
Camp and Field Equipment	117.87

109,253.95

Less- Credit Balance- Storehouse, Overhead,
Accounting, etc.

282.35

108,971.60

Generating Stations:

Buildings	109,205.53
Bus and Switching, Masonry Structure	2,897.12
Electrical Equipment and Telephones	558,849.14
Lighting	3,217.42
Mechanical Equipment	11,758.87
Engineering	22,462.89
Special	8,154.83
Insurance	.35
Interest and General Expenses	3.95
Oil and Water Supply	240.06

716,790.16

Carried Forward

\$ 1,112,260.91

STATEMENT OF EXPENDITURES ON
CONSTRUCTION OF THIRD PIPE LINE

To OCTOBER 31, 1921

Brought Forward

1,112,260.91

Construction Plant and Machinery	35,674.13	52,839.00	87,913.13
Construction:	<u>Material</u>	<u>Labour</u>	
Flumes, etc.	946,782.63	813,902.20	
Railways	1,999.32	55,637.68	
Roadways	8,888.18	3,308.74	
Power Light and Telephone	23,472.00	30,622.15	
Water and Sanitary Systems	96.86	15,813.87	
Compressed Air System	5,475.41	24,225.79	
Heating and Ventilating System	2.51	1,367.30	
Sanitary and Drainage System	4,045.40	3,135.91	
Oil Supply System	319.81	3,240.31	
Water Supply System	102.34	204.94	
Compressed Air System	3.40	125.10	
Construction Plant Maintenance and Repairs	60,785.27	52,596.02	
Auxiliary Plant Operation	198,357.45	55,977.81	
Tests and Inspection	770.70	2,265.54	
Reservoirs		14.80	
Forebay	2,147.03	5,269.28	
Headworks	1,986.85		
Canals	7.50		
Distributor	16,288.37	33,669.09	
Valve Chamber	9,850.36	19,887.95	
Surge Tank Connection	6,296.39	13,735.50	
	<u>1,287,677.78</u>	<u>1,023,044.36</u>	
Rehabilitating Track from "Maid of the Mist" landing to Ontario Power Company Power House	2.25	5,352.47	2,310,722.14
			<u>5,354.72</u>
Deduct-			3,516,250.90
Unclaimed Wages		785.97	
Temporary Buildings		<u>370.00</u>	
			<u>1,155.97</u>
<u>Total</u>			<u>3,515,094.93</u>

THE ONTARIO POWER COMPANY OF NIAGARA FALLS
and its Subsidiary
THE ONTARIO TRANSMISSION COMPANY, LIMITED

Summary of Reserve for Renewal of Plant, Equipment and Transmission Lines

Particulars	The Ontario Power Company of Niagara Falls		The Ontario Transmission Company Limited	Together
	General Properties	Third Pipe Line		
Total provision for Renew- als as at August 1, 1917, the date the Companies were acquired by the Hydro- Electric Power Commission of Ontario	\$ 624,400.64	-	256,432.71	880,833.35
Provision for fiscal year ending October 31, 1920	222,787.82	99,593.08	63,117.54	385,498.44
Provision for fiscal year ending October 31, 1921	222,630.20	100,212.04	62,972.45	385,814.69
<u>Together</u>	\$1,069,818.66	199,805.12	382,522.70	1,652,146.48
<u>Deduct-</u>				
Replacing all old coils on Number 4 Generator	\$ 22,866.92	-	-	22,866.92
Rewinding Westinghouse Generator	59,707.19	-	-	59,707.19
Replacing 2-500,000 C.M. Cables on Generators Num- bers 7, 8 and 9	23,395.92	-	-	23,395.92
New Cast Steel Runners, in- stallation of same and re- pairs to turbines	15,387.29	-	-	15,387.29
Replacements on Number 13 Generator	8,560.75	-	-	8,560.75
Cost of reinsulating Number 2-60,000 volt line from Transformer Station to river crossing near Queenston	-	-	6,691.60	6,691.60
Sundry Items	14,342.12	-	2,587.33	16,929.45
<u>Total Charges</u>	\$ 144,260.19	-	9,278.93	153,539.12
<u>Balance, per books, at October 31, 1921</u>	\$ 925,558.47	199,805.12	373,243.77	1,498,607.36

ONTARIO POWER COMPANY OF NIAGARA FALLS

STATEMENT SHOWING BASIS OF THE ANNUAL RATE OF 1.85% (STRAIGHT LINE METHOD) ON PLANT ACCOUNT (EXCLUSIVE OF ESTIMATED INTANGIBLE VALUES) BASED ON BOOK FIGURES AT JULY 31, 1919.

Particulars	Capital Investment		Estimated Residual Values		Reserve to be provided		
	Total Amount	Estimated Life (in Years)	% of Investment	Amount	Total Amount	Annual Provision (Straight Line Basis) Amount	% to Investment
GENERAL PROPERTIES:							
Site, Excavation, etc.	\$ 2,944,513	-	100	\$ 2,944,513	\$ -	\$ -	-
Mass and Reinforced Concrete	641,442	100	-	-	641,442	6,414.42	1.00
Building (Headworks Substructure)	146,180	100	-	-	146,180	1,461.80	1.00
Building, Headworks, Overflow Surge Tanks, Power House and Distribution Station	2,257,183	75	5	112,859	2,144,324	28,590.98	1.27
Steel conduit concrete envelope Distributor overflow surge tanks and steel penstock, reinforced concrete pipe line	1,564,905	50	5	78,245	1,486,660	29,733.20	1.90
Turbines	905,310	75	-	-	905,310	12,065.81	1.33
Electrical Equipment	1,131,544	25	5	56,577	1,074,967	42,998.68	3.80
Mechanical Equipment	1,640,163	20	20	328,033	1,312,130	65,606.50	4.00
Structural Steel gates at Headworks	197,487	20	10	19,749	177,738	8,886.90	4.50
Valves	59,224	30	5	2,961	56,263	1,875.25	3.10
Entrance house and passenger tunnel	213,239	15	10	21,324	191,915	12,793.08	6.00
Conduit and Man-holes	120,509	50	-	-	120,509	2,410.18	2.10
Cables in tunnel	55,044	50	-	-	55,044	1,100.88	2.00
Stop Logs and steel guides (headworks)	98,415	15	30	29,525	68,890	4,592.69	4.60
Furniture and Fixtures	30,022	20	5	1,501	28,521	1,425.05	4.70
Totals	31,008	10	-	-	31,008	3,100.80	10.00
Add- Intangible Values	\$12,036,188	-	-	\$ 3,595,287	\$ 8,440,901	223,057.19	1.85
Together, being balance per books at July 31, 1919	\$25,770,981						

STATEMENT SHOWING BASIS OF THE ANNUAL RATE OF 2.85% (STRAIGHT LINE METHOD) BASED ON BOOK FIGURES AT OCTOBER 31, 1919

THIRD PIPE LINE:							
Excavation	\$ 450,454	-	100	\$ 450,454	\$ -	\$ -	-
Wood Stave Pipe	836,699	20	-	-	836,699	41,834.95	5.00
Steel Penstock	320,580	75	5	16,028	304,552	4,060.24	1.27
Surge Tank	69,485	40	10	6,948	62,535	1,563.37	2.25
Power House	399,300	100	5	19,965	379,335	3,793.35	.95
Turbines	804,849	25	5	10,242	794,607	7,784.28	3.80
Mechanical Equipment	41,172	20	10	4,117	37,055	1,852.75	4.50
Tail Race, Forebay	18,353	100	-	-	18,353	183.53	1.00
Distributor and Valve Chamber	77,441	100	5	3,872	73,569	735.69	.95
Electrical Equipment	672,177	20	20	134,435	537,742	26,887.10	4.00
Together	\$ 3,090,478	-	-	\$ 646,061	\$ 2,444,417	\$ 88,695.26	2.87
Add- Stores, Temporary Buildings, etc.	419,963						
Together, being balance per books at October 31, 1919	\$ 3,510,441						

ONTARIO TRANSMISSION COMPANY LIMITED

STATEMENT SHOWING BASIS OF THE ANNUAL RATE OF 3.00% (STRAIGHT LINE METHOD)
ON PLANT ACCOUNT (EXCLUSIVE OF ESTIMATED INTANGIBLE VALUES) AS AT JULY 31,
1919

Particulars	Capital Investment		Estimated Residual Values		Reserve to be provided		
	Total Amount	Estimated Life (in Years)	% of Investment	Amount	Total Amount	Annual Provision (Straight Line Basis) Amount	% of Investment
Real Estate, Right-of-Way	\$ 315,760	-	100	\$ 315,760	\$ -	\$ -	-
Buildings	346,003	75	5	17,300	328,703	4,382.70	1.27
Electrical Equipment	581,943	20	20	116,389	465,554	23,277.70	4.00
Mechanical Equipment	58,961	20	10	5,896	53,065	2,653.25	4.50
Conductor	347,344	50	60	208,406	138,938	2,778.76	0.80
Wood Pole Line	290,980	12	-	-	290,980	24,248.24	8.30
Steel Tower Line	106,587	50	5	5,329	101,258	2,025.16	1.90
Together	\$ 2,047,578	-	-	\$ 669,080	\$ 1,378,498	\$ 59,355.81	2.90
Add- Intangibles	1,194,831						
Together, being balance per books at July 31, 1919	\$ 3,242,409						

EXCERPTS FROM CONTRACTS AND AGREEMENTSAGREEMENT WITH COMMISSIONERS OF QUEEN VICTORIA
NIAGARA FALLS PARK:

By an Agreement, dated April 11, 1900, with the Commissioners of the Queen Victoria Niagara Falls Park, the Ontario Power Company of Niagara Falls was licensed for the term of fifty years from April 1, 1900, to construct and operate within the Queen Victoria Niagara Falls Park the works necessary for the purpose of the Company.

In consideration of such license the Company undertook to pay a yearly rental of \$15,000 and in addition thereto annual payments as follows:

- \$1.00 for each electrical horse-power generated and disposed of over 10,000 h.p. up to 20,000 h.p.
- 75 cents for each electrical horse-power generated and disposed of over 20,000 h.p. up to 30,000 h.p.
- 50 cents for each electrical horse-power generated and disposed of over 30,000 h.p.

the books of the Company being open to examination by the Commissioners for the purpose of verifying the Company's statements of horse-power generated. These rentals are declared to be the first and preferential charge upon the works of the Company and the Company is declared to have no power to create any lien, charge or encumbrance upon the works by bond, debenture, mortgage or otherwise which would interfere with or prevent the Commissioners from procuring payment of the rent.

The fifty year license granted by the agreement is renewable at the option of the Company, subject to the desire of the Lieutenant-Governor in Council to readjust the rentals, in three periods of twenty years each, making 110 years in all and the Company shall then give up, or at the expiration of the first term of fifty years, or any subsequent

term of twenty years if unrenewed, the works, premises, rights and privileges created by the agreement without any claim for compensation, with liberty to the Company to remove their machinery. Before the end of the third period of twenty years the Lieutenant-Governor in Council may, however, require the Company to continue operations for a further period of twenty years.

AGREEMENT WITH THE NIAGARA LOCKPORT AND ONTARIO
POWER COMPANY (Called the Lockport Company)

An Agreement dated July 16, 1904, subsequently modified by supplemental agreements dated December 30, 1904, October 31, 1905 and December 30, 1913, provided that -

The amount of 45,000 Kilowatts firm electrical power is the ascertained and determined amount which the Power Company is required to sell and deliver and the Lockport Company is required to take and pay for during the life of the contract (subsequent to the supplementary agreement of December 30, 1913)

The Power Company furnish and continuously maintain ready for the use of the Lockport Company and the Lockport Company purchase and pay for electrical horse-power as follows:

- (a) On or before July 1, 1905 22,500 kilowatts
- (b) On or before January 1, 1907 22,500 kilowatts
additional

making an aggregate of 45,000 kilowatts.

The Lockport Company pay each month for the 45,000 kilowatts in United States gold coin at the following rates:

- For 40,000 kilowatts at \$16.76 per kilowatt per annum
- For 5,000 kilowatts at two and one-half mills (2.50%) per kilowatt hour

The power to be delivered continuously twenty-four hours in every day

Nothing interfere with the provisions of the Agreement of April 11, 1900, between the Power Company and the Commissioners for the Queen Victoria Niagara Falls Park whereby the Power Company "whenever required, shall, from the electricity or mechanical power generated supply the same in Canada to the extent of any quantity not less than one-half of the quantity generated, at prices not to exceed the prices charged to cities, towns, and consumers in the United States at similar distances from the Falls of Niagara for equal amounts of power and for similar uses."

The contract to be also subject to prior agreement made between the Power Company and the Town of Niagara Falls, Ontario, for the supply of power in consideration of Privileges Granted.

The Agreement be subject to any mortgage on the properties securing the holders of either Company's bonds.
The Contract continue in force until April 1, 1930

(It may be noted that although the agreement empowered the Lockport Company to exercise its options to take the extensions or renewals of the three successive periods of twenty years provided for in the agreement between the Power Company and the Commissioners for the Queen Victoria Niagara Falls Park, the agreement dated April 12, 1917, by which the capital stock of the Power Company was acquired by the Hydro-Electric Power Commission of Ontario, to which the Lockport Company was a party, provided that the power supply contract between the Power Company and the Lockport Company cease on April 1, 1930).

AGREEMENT WITH THE HYDRO-ELECTRIC
POWER COMMISSION OF ONTARIO (Called the Commission)

An Agreement dated March 19, 1908, approved by Order-in-Council under date of March 24, 1908, ancillary to an Agreement dated August 12, 1907, provided that-

At the expiration of ninety days' notice by the Commission the Power Company deliver 8000 or more horse power of electric power to the Commission

At the expiration of three months' notice to be given from time to time during the continuance of the agreement the Power Company deliver to the Commission in blocks of not less than 1000 horse power each, additional electric power until the total so delivered amount to 30,000 horse power

At the expiration of nine months' notice to be given from time to time during the continuance of the agreement the Power Company deliver to the Commission in blocks of not less than 1000 horse power each, additional electric power until the total so delivered amount to 100,000 horse power

The Commission take power exclusively from the Company up to 30,000 horse power and in addition thereto one-half of the amount required by the Commission up to 100,000 horse power and thereafter at the Commission's option from other sources

The Commission pay as follows-

For power at 12,000 volts at \$9.40 per horse power per annum

For power at 60,000 volts at \$10.40 per horse power per annum
and when the amount reserved and held ready for delivery upon the order of the Commission is in all 30,000 horse power or more payment to be made thus-

For power at 12,000 volts at \$9.00 per horse power per annum

For power at 60,000 volts at \$10.00 per horse power per annum

For power taken at a higher voltage than 60,000 volts the rate to be relatively increased without increased profit

The term of the agreement be ten years from the date of the expiration of the above ninety days' notice, the Commission at its option to continue the agreement for one, two or three further consecutive terms of ten years each, the agreement not in any event to extend beyond April 1, 1930

(By a Supplementary Agreement dated November 10, 1900, the ninety days' notice was decided to have been given as of December 12, 1900, and the expiration thereof to have been on March 15, 1910)

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The Power Company shall not exercise the right to cancel the Agreement dated April 11, 1900, between the Company and the Commissioners of the Queen Victoria Niagara Falls Park

AGREEMENT WITH THE NIAGARA ELECTRIC
POWER COMMISSION OF ONTARIO

An Agreement dated February 26, 1913, provided that-

The Power Company deliver and continuously maintain and the Commission purchase and pay for 300 electric horse power (or greater requirements of the Commission) to be supplied to the municipalities of Welland and Port Robinson

The price to be \$14.00 per horse power per annum

Notice for additional power and extended distribution to be given six months before the additional power is needed

The term of the Agreement be for a period coextensive with the unexpired portion of the term of the agreement dated March 19, 1900, and for such further periods as that agreement may be continued in force by the exercise of the Commission's options

The electric horse power supplied under this contract be counted as a part of the 100,000 horse power to which the Commission is entitled under the Agreement of March 19, 1900

AGREEMENT WITH THE AMERICAN CYANAMID
COMPANY (THE CYANAMID COMPANY)

An Agreement dated March 14, 1908, known as the Power Agreement, made between the Power Company and Frank S. Washburn and Charles H. Baker which was assigned on March 16, 1908, to the Cyanamid Company and subsequently modified by a Supplementary Agreement dated November 29, 1913, provided that-

The Power Company deliver and continuously maintain and the Cyanamid Company purchase (subsequent to July 1, 1914) 25,000 electric horse power with permissible intermittent demands to an amount not exceeding 1,000 H.P.

Payment to be made for all power delivered from May 30, 1913, at the rate of \$10.50 per H.P. per annum

The Agreement continue in force until April 1, 1930, unless terminated by either party by giving written notice to that effect on April 1, 1931, or any date thereafter, the agreement then terminating three years from the date of such notice

The Power Company agree not to sell power to any one else to be used for the purpose of making calcium cyanamid (lime nitrogen) or other materials covered by Letters Patent owned or controlled by the Cyanamid Company

AGREEMENT WITH THE TORONTO POWER COMPANY
LIMITED (THE TORONTO POWER COMPANY)

An Agreement dated September 5, 1914, provided that-

The Toronto Company sell, deliver and continuously maintain for the use of the Power Company in Canada such electric energy at 15,000 volts as constitutes the output at normal rating to be taken as 15,000 kilovolt amperes of each of two generators for a period of 3 years from September 5, 1914

The Power Company pay the following monthly sums for electric energy taken during the preceding calendar month-

A minimum monthly payment at the rate of \$13.00 per horse power per year for 75% of the normal rated capacity of each generator computed separately

An additional payment each month at the rate of 2 mills per kilowatt hour for all energy in excess of 75% of such capacity

An Agreement dated October 13, 1915, provided that-

The Toronto Company sell, deliver and continuously maintain for the use of the Power Company solely in Canada such electric energy at 12,000 volts as constitutes the output at normal rating to be taken as 10,000 kilovolt amperes of one generator for a period of 3 years from October 15, 1915

The Power Company pay the following monthly sums for electric energy taken during the preceding calendar month-

A minimum monthly payment at the rate of \$13.00 per horse power per year for 75% of the normal rated capacity of the generator

An additional payment each month at the rates shown below for all energy in excess of 75% of such capacity

<u>% of Normal Capacity</u>	<u>Excess Energy Rate</u>	<u>% of Normal Capacity</u>	<u>Excess Energy Rate</u>
75	\$.00000	80	\$.00333
76	.00002	89	.00392
77	.00004	90	.00450
78	.00012	91	.00512
79	.00032	92	.00578
80	.00050	93	.00648
81	.00072	94	.00712
82	.00090	95	.00780
83	.00120	96	.00852
84	.00162	97	.00968
85	.00200	98	.01056
86	.00242	99	.01182
87	.00288	100	.01250

An Agreement dated March 17, 1916, provided that-

The Toronto Company sell, deliver and continuously maintain for the use of the Power Company such electric energy at 12,000 volts as constitutes the output at normal rating to be taken as 10,000 kilowatts of one generator for a period of 15 months from May 1, 1916

The Power Company pay \$13.00 per horse power per year for the normal rated capacity of the generator, that is to say, an annual sum of \$174,262.00

AGREEMENT BETWEEN THE ONTARIO POWER COMPANY OF NIAGARA FALLS AND THE ONTARIO TRANSMISSION COMPANY, LIMITED

An Agreement made April 20, 1910, between the above Companies provided that-

The Transmission Company let, demise and lease to the Power Company all its undertaking and properties from May 1, 1910 to

- 6 -

April 1, 1950

The Power Company during the continuance of the demise pay rents to the Transmission Company in the following sums-

- (a) A sum calculated at the rate of \$2.50 per annum in gold coin of the United States of America for each electrical horse power of the Power Company transmitted over the lines of the Transmission Company during the year, or when horse power is sold on the kilowatt-hour basis and delivered over the lines of the Transmission Company 50 cents per 1000 kilowatt hours

The payments to be made under this provision in any year not to be less than the amount required by the Transmission Company to pay the interest payable in that year on its outstanding bonds

- (b) A sum equal to the amount of all taxes, assessments and municipal or governmental charges, levied or assessed upon the Transmission Company

- (c) A reasonable sum to be determined by agreement for the administrative and operating expenses of the Transmission Company during the year

As part of the consideration for the lease of the Transmission Company's premises the Power Company assumes all the contracts, obligations and liabilities of the Transmission Company including all bonds issued or which may be issued, and executes guarantees of payment of the bonds. Provided that the Power Company receive credit for the payment of all sums other than those in the form of rent set forth above with interest at 5% per annum thereon, on account of sums payable under paragraph (a) above

The Transmission Company give to the Power Company the option to acquire and purchase the demise premises at any time after the bonds of the Transmission Company have been paid without further consideration than provided for in this Agreement

At or before the termination of the agreement the Transmission Company, upon the request of the Power Company grant a renewal of the lease of the demise premises for a further term of forty years.

GRAND 8 TOY LIMITED
TORONTO
113728

